# Money and Mental Health's submission to Ofgem's call for input on affordability and debt in the domestic retail market

## 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 around 5,000 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.[1] 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 affects their cognitive and psychological functioning.[2] Over a lifetime, this proportion rises to nearly half the population.[3] 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.[4]
- Common symptoms of mental health problems, like low motivation, unreliable memory, limited concentration and reduced planning and problem-solving abilities, can make managing money and interacting with essential service providers significantly harder.[5] 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.[6]
- Customers can often be unaware of the support that essential service providers, like energy companies can offer. For example, fewer than three in ten people with mental health

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[1] For example, Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018; Holkar M. Time to act. Money and Mental Health Policy Institute. 2022; D'Arcy C. Bombarded: reducing the psychological harm caused by the cost of living crisis. Money and Mental Health. 2022.

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

[3] Mental Health Foundation. Fundamental facts about mental health. 2016.

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

[5] Holkar M. Seeing through the fog: how mental health problems affect financial capability. Money and Mental Health Policy Institute. 2017.

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

problems have been told what additional support their essential services provider can offer to customers with mental health problems.[7]

- 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.[8]
- 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.[9]

## Summary


- While external factors have mainly driven the current affordability challenges in the energy market, they exacerbated existing drivers. In particular, drivers related to mental health problems which means that people with mental health problems are more likely to be behind on their energy bills.
- The affordability challenges are unlikely to disappear any time soon and Ofgem, the government and energy suppliers must respond to this. These challenges require bold action from the government but also stronger rules from Ofgem for how firms can treat customers struggling to pay their bills.
- Energy companies should be: proactively assisting their customers in financial difficulty; sending supportive debt communications; supporting customers with mental health problems who are in debt; referring customers to debt advice; and only using stronger enforcement as a last resort. This shouldn't just be best practice but required practice.
- Ofgem should learn from other essential service regulators to ensure there are strong rules on how firms can treat customers in debt and customers can get the support they need.


## Energy affordability & impacts on consumers

### Q1: What are the key drivers of energy affordability challenges and how do we expect those to change in the future?

While the increase in wholesale energy prices has been one the main drivers in the current energy affordability challenges, it exacerbated existing drivers that meant many consumers were already struggling to afford their energy bills before the energy crisis. Even before the rise in energy bills, people with mental health problems were more likely to be behind on bills, and this has continued due to drivers related to mental health problems. It's essential that any work Ofgem does on affordability considers the full range of circumstances that makes someone

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[7] Holkar M. Time to act. Money and Mental Health Policy Institute. 2022.
[8] Holkar M. Debt and mental health: a statistical update. Money and Mental Health Policy Institute. 2019.
[9] Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.

financially vulnerable. A more limited focus on just those who are currently in debt, on low incomes or in fuel poverty misses out many customers who would benefit from more support.

**The current affordability challenges**

As the call for input document highlights, consumers have been faced with unprecedented rises in the cost of energy bills over the last few years. Even with the price cap and government support, bills are still higher than before the energy crisis. In isolation, this would mean many people would find it difficult to afford their bills and would have to take steps to manage their budgets. However, across the economy, prices have risen - from the cost of supermarket goods to rents. At the same time, wages have not kept pace with inflation. Even before the cost of living crisis, 'real wages' had not risen since the recession.[10] This all has a knock on effect on people's ability to afford their energy bills.

**People with mental health problems are more likely to struggle with affordability**

While inflation over the last few years has contributed to the current energy affordability challenges, they have worsened existing challenges. Before the energy crisis, people with mental health problems were over three times (18% compared to 5%) more likely to be behind on energy bills in the preceding year compared to people without mental health problems.[11] Over the cost of living crisis, we have tracked people with mental health problems' ability to afford different bills and payments. The percentage behind on their energy bills has varied during this period and while the difference has also varied, people with mental health problems have consistently been more likely to be behind than people without mental health problems.[12] In the most recent polling we did, people with mental health problems were over two times more likely to have been behind on energy bills (11% compared to 5% of people without mental health problems).[13] This increased likelihood also existed across all household bills, both before and during the cost of living crisis.[14]

**Drivers related to mental health**

There are two key drivers to this difference in outcomes, both before the energy crisis and currently, which are related to mental health problems: how they affect our ability to earn money and our ability to manage money.

Firstly, when we are struggling with our mental health, it can be hard to stay in work and therefore people can end up taking time off, changing to part-time roles or leaving employment

[10] Bell T and McCurdy C. Wages are flatlining. Resolution Foundation. 2023.
[11] Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021.
[12] See our publications page.
[13] Money and Mental Health analysis of YouGov online polling of 2,069 UK adults in October 24-25 2023.
[14] Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021; Murray T and Bond N. Debts and despair. Money and Mental Health Policy Institute. 2023.

entirely.[15] And the longer we struggle with our mental health problems, the more likely we are to be out of work due to illness or disability. While having a mental health problem for one or two years can make it five times more likely we'll be out of work at the end of a four year period compared to people who have never been unwell, having a mental health problem persistently (three or four years) increases this to eleven times more likely.[16] It's unsurprising in light of this, that the longer someone experiences a mental health problem, the lower their average income is. There is a monthly mean income gap of £280 between those who had a persistent mental health problem and those who've never had a mental health problem.[17] Those who are out of work have to rely on benefits that have not kept pace with the increases in the cost of living over the last decade.[18]

Secondly, mental health problems can impact our ability to manage money. Common symptoms of mental health problems like increased impulsivity can lead to people spending more than they can afford while unwell. While symptoms like low motivation or difficulty understanding information can make it harder to keep up with payments such as energy bills.[19] This can then lead to people falling behind on those payments. Additionally, symptoms of mental health problems can make it more difficult for people to engage with their energy company or reach out to other sources of support such as debt advice.[20] This can be exacerbated by poorly-designed customer journeys as well as unsupportive and aggressive debt collection communication and practices which lead to many to disengage and ignore contact.[21]

**Not a fading issue**

However, while being able to get support from your energy company or a debt adviser in a way that meets your needs can be hugely beneficial, there is an ever growing number of people with negative budgets. This means that they do not have enough income to match their outgoings, including bill payments. This is a significant issue. Citizens Advice estimate that nearly five

[15] Bond N and D'Arcy C. Mind the Income Gap: Exploring the long term factors contributing to the 'mental health income gap'. Money and Mental Health Policy Institute. September 2020; Bond N and Braverman R. Too ill to work, too broke not to: The cost of sickness absence for people with mental health problems. Money and Mental Health Policy Institute. 2018.
[16] Lees C and Stacey B. Always on your mind. Money and Mental Health Policy Institute. 2024.
[17] Lees C and Stacey B. Always on your mind. Money and Mental Health Policy Institute. 2024.
[18] Corlett A. The benefit freeze has ended, but erosion of the social security safety net continues. Resolution Foundation. 2019; Judge L and Murphy L. Rates of change: The impact of a below-inflation uprating on working-age benefits. Resolution Foundation. 2023.
[19] Holkar M. Seeing through the fog: how mental health problems affect financial capability. Money and Mental Health Policy Institute. January 2017.
[20] Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018; Bond N and Holkar M. Help along the Way. Money and Mental Health Policy Institute. 2020.
[21] Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.

million people in Britain are in a negative budget and over two million people are nearly in one.[22] Furthermore, people with mental health problems are disproportionately represented among those in negative budgets.[23] Among our Research Community, almost three-quarters (74%) of survey respondents had been in a negative budget in the previous 12 months.[24]

Ultimately, while the rate of inflation has started to drop and energy bills are now lower than at their peak, bills are still higher than before the crisis and prices are still rising faster than the Bank of England's 2% target. Our recent analysis of the Financial Conduct Authority's (FCA) Financial Lives Survey showed that many people are still struggling.[25] While we may be past the most acute phase of the cost of living crisis, it will have a long tail - both on people's finances and mental health - and the energy affordability challenges it has contributed to will not go away anytime soon. There has been evidence that people have turned to using consumer credit to pay for their energy bills,[26] but there is a risk that they fall behind on those payments as well.

### Q2: What options should be explored to tackle energy affordability?

While there are still steps that can be taken by Ofgem and energy companies to tackle the issue, the size of the energy affordability challenge also requires interventions that are currently beyond Ofgem's control. The government and Ofgem need to work together to introduce bold interventions to the market; neither can pass the buck.

As the call for input document outlines, without the energy price cap or financial support from the government, energy bills would have increased even more and we would be facing an even bigger challenge. The need for this support has not disappeared and a similarly bold intervention from the government will be needed moving forward. Compared to other sectors, the level of harms that can be experienced as a result of affordability issues, such as self-disconnection in the middle of winter, the high cost of bills and the existence of support in other sectors means that this is a somewhat unique challenge.

One way to tackle the affordability issue is to increase the incomes of consumers who are most likely to be struggling to afford their bills by raising the rate of benefits. With more money in their pockets, many consumers would be able to pay their energy bills and have a warm home. Alternatively, the government could continue to provide more direct support to affected households. This could be through a continuation of the cost of living disability payments or

[22] Åhlberg M et al. The National Red Index: how to turn the tide on falling living standards. Citizens Advice. 2024; This translates to a significant proportion of people accessing debt advice, for example, a third of StepChange clients in 2023 were in a negative budget - StepChange. Statistics Yearbook: Personal Debt in the UK January-December 2023. 2024.
[23] Matin J and Lane J. Negative Budgets. Citizens Advice. 2020.
[24] Bond N. "No longer living, just existing": mental health and negative budgets. Money and Mental Health Policy Institute. 2024.
[25] Murray T. The cost of living crisis hasn't gone away. Money and Mental Health Policy Institute. 2024.
[26] Citizens Advice. Winter warning. 2023.

increasing the Warm Home Discount payment and widening its eligibility. However, these policies do not tackle the price of the energy bills. It is welcome to see the government and Ofgem consider what alternatives to the price cap could look like, but it is essential that those who are at most risk of falling behind on bills or are already behind are supported. The government had promised to explore the potential of a social tariff in energy.[27] This could be an intervention that helps tackle the issue, but we would need to see a proposal before being certain.

Additionally, while this would need government support, Ofgem could play a leading role in building up infrastructure to share data between essential service providers, government agencies and local authorities.[28] In particular, this data would help relevant organisations understand who is behind on bills or at risk, and who is eligible for different support, such as social tariffs in water and telecoms. The data could also include details on vulnerable circumstances, including mental health problems, and the need for extra support, like the Priority Services Register (PSR). This would reduce the burden on individual consumers and maximise their incomes and therefore ability to afford their energy bills. Careful consideration would need to be given to how people's data will be stored and used, and people with lived experience should be at the heart of this process.[29]

Beyond the role of government, there is a role for energy companies. Energy companies should do more to widen access to the financial support they have, such as energy grants, and make it easier for customers to access. Firms should also be regularly writing off debts when they know a customer will be unable to repay given their financial situation, such as the evidence of a negative budget. We acknowledge the level of bad debt in the sector and the impact that this has on energy companies, so Ofgem and the government should explore ways of funding this debt write-off. Ofgem should also consider other ways of supporting those who might not meet requirements for debt write-off, such as debt matching. Finally, Energy UK should make the Winter Debt Commitments permanent and Ofgem should require firms to sign up to them. This would mean that customers are given a higher level of protection throughout the year.

## Impacts of affordability and debt issues on the market

### Q3: What factors should be considered when redistributing costs?

While many consumers are currently struggling with their energy bills, people with mental health problems are more likely to be at the acute end of this and be significantly behind. However, the support that is available won't always reach this group. For example, the changes to the Warm

[27] HM Treasury. Autumn Statement 2022. 2022.
[28] Lees C and Stacey B. Always on your mind. Money and Mental Health Policy Institute. 2024.
[29] For people with mental health problems' views on the sharing of vulnerability data: Bond N, D'Arcy C and Lees C. Too much information? Key considerations for vulnerability data sharing. Money and Mental Health Policy Institute. 2023.

Home Discount (WHD) were estimated to lead to 290,000 people in receipt of PIP and Disability Living Allowance losing their entitlement to WHD.[30] It's essential therefore that any redistribution of costs do not fall on those who are already behind on their bills or at risk of falling behind on their bills in the near future. Higher bills for this group of consumers will only make their situation worse and add more to the debt in the sector. This is especially important for those consumers who might miss out on available support, especially with any bolder interventions in the future, such as a social tariff. Ofgem and the government should consider how any intervention to tackle the affordability challenge could be paid for through taxation rather than bills.

## Addressing the affordability and debt challenge

### Q6: What represents best practice in debt management by suppliers?

Through our work with our Research Community we have heard a range of good practice but also poor practice from energy suppliers. What we consider to be best practice is regularly the direct opposite of the poor experiences we hear about. It is stark how much of a difference good practice can make to someone's ability to engage with the debt management process, but also the negative impact on people's mental health that poor practice can have. While we consider the following practice to be essential, we reiterate the need for action beyond this to tackle the affordability challenges. Even with the very best practice, there will still be customers who simply do not have enough money to pay for their energy bills.

**Proactive communications**

Good practice from suppliers should start before a customer has fallen behind on their bills. We welcomed Ofgem's new rules on proactive communications from suppliers when a customer has fallen behind on their energy bills or has told the supplier they won't be able to pay the next bill. However, we believe that companies should be doing more before the current triggers. This should include regular communications with all customers letting them know about different support options (both internal and external) if someone is worried about their bills, but also clear steps for how they can get in touch to access this support. Crucially, these should include a range of contact options in line with the new Consumer Standards. Additionally this information should be clear and prominent on supplier's websites and other customer touchpoints such as apps and accounts. Unfortunately, this isn't always the case. At the height of the energy crisis in winter 2022, only a third (34%) of respondents to a Research Community survey had received communications from their supplier about the rising cost of energy and how suppliers could help.[31] However, we have heard examples from our Research Community of energy

[30] Department for Business, Energy and Industrial Strategy. The Government Response to the Warm Home Discount: Better targeted support from 2022 consultation. 2022.

[31] Money and Mental Health survey of 298 people with mental health problems. January 2022. Base for this question: 297.

suppliers communicating with their customers to let them know about the support that is available.

*"[Energy company] rings me monthly to check on my wellbeing and ask if I can afford to pay my utilities bills."*
Expert by experience

We think Ofgem could build on the Consumer Standards work to include this earlier proactive communications in guidance and rules.

Beyond this general communication, firms should be using the range of data they have on customer's energy usage to spot when customers might be using less energy than usual and to take this as a potential sign that someone is struggling to pay their bills and reach out with support. Ofgem decided not to introduce any requirement for firms to identify and support customers who are self-rationing their energy given technical difficulties in doing so.[32] Given four years have since passed, Ofgem should look at whether this would now be possible as part of rules or best practice.

**Supportive debt communications**
Once a customer has fallen behind on their bills, it's essential that firms follow best practice in debt communications. As Ofgem acknowledged in the call for input document, aggressive and frequent communications can have a significant negative impact on people's mental health and lead to customers disengaging from the process. This is a serious issue: while there is no one cause of suicide, 13% of people in problem debt think about suicide each year and 3% attempt suicide.[33] Unfortunately, we have continued to hear examples of poor practice from our Research Community during the cost of living crisis.

*"My energy company are causing me great anxiety at the moment and definitely making my mental health worse! I don't want to be in court for not paying my bills, or worse still in jail, when I have tried everything to sort it out. I don't know what to do next, how to fix it or who to turn to."*
Expert by experience

However, we have heard some examples of good communications.

*"[Energy company] emails me quite quickly to support me when struggling to pay with mental health and on benefits."*

[32] Ofgem. Self-disconnection and self-rationing: decision. 2020.
[33] Bond N and Holkar M. A silent killer: Breaking the link between financial difficulty and suicide. Money and Mental Health Policy Institute. 2018.

Expert by experience

We know that energy companies are changing their approach but there still more to be done. Crucially debt communications should:

- Have supportive not threatening language and tone.
- Include clear and prominent offers of support.
- Use easy to understand language and have a clear layout, breaking up text and making key information prominent.
- Offer a range of ways for customers to get in touch, not just the phone.
- Include information about external organisations who can offer support.
- Let customers know about what will happen if they don't make a payment.

The last bullet is a crucial one. When we have spoken with essential service firms across markets through our Mental Health Accessible programme and other work, they raise the need to include the consequences of not paying. While this can be a regulatory requirement, firms often make this the most prominent part of the letter but do not link it to the support available. Research Community members are not opposed to the inclusion of this information but they often say they disengage when this is the first thing they read or if they don't know what they can do to avoid this. It's crucial that firms strike the right balance of letting customers know about the consequences of not paying, but also the benefits of getting in touch and that help is available.

We welcomed Ofgem signing the letter with other members of the UK regulators network (UKRN) on shared expectations regarding debt collection. It was good to see the inclusion of an expectation that communications should have a supportive tone and avoid threatening language. We believe this should be incorporated into more formal guidance or rules.

Beyond the content of the communications, it's essential that firms also consider the frequency of the communications they are sending to customers in debt. While a firm might consider the amount they are sending to be reasonable given the importance of the issue, the customer is unlikely to just be behind on their energy bills. For example, the average number of unsecured debts StepChange clients have is 6.[34] Firms should introduce limits for how much they contact a customer in debt within a given time period and this should extend to all channels. This should take into account new requirements on communications when considering moving a customer to a pre-payment meter (PPM). Firms should also be making sure they are using the preferred contact channels of customers where possible.

[34] StepChange. Statistics Yearbook: Personal Debt in the UK January-December 2023. 2024.

*"Yes, I got behind on my electric and gas bill, just by a couple of weeks only. I was stalked by them to pay it immediately and with added threats of bailiffs. I received emails and texts every 3 days I think. I was triggered. I did panic. I could not speak to them because I had no money."*
Expert by experience

*"When I missed a payment on my energy I kept on receiving threatening emails and phone calls. They wouldn't leave me alone and I thought that was unacceptable. Very unacceptable especially with my mental health issues"*
Expert by experience

*"I also had to continually contact [energy supplier][ who were hounding me on a daily basis by texts, emails, calls and letters, to pay the bill that I had explained I wasn't responsible for. My anxiety was through the roof every time I heard my phone ringing or saw that I had yet another letter from them with added late payment charges on. It was a horrendous time."*
Expert by experience

We welcomed the shared expectation in the URKN letter that firms should ensure appropriate frequency for debt communications. We believe that Ofgem should review the number of debt communications being sent to customers and come up with an appropriate limit that could be added to guidance or rules.

**Customer service**

When a customer gets in touch with their energy company, either because they are worried about missing bills or are in debt, it's essential that they have a good experience and are well supported. Given the increased likelihood of someone with mental health problems being behind on their energy bills, a significant amount of those speaking to collections teams will have mental health problems. Firms should be working on the assumption that those in debt are in a vulnerable situation and should act accordingly. Crucially, this means providing frontline staff, but in particular those in collection teams, with training on mental health problems and other vulnerable circumstances so they can spot that someone is struggling and offer appropriate support. Beyond this, firms need to make sure that they are using recorded information, for example from the PSR, to know when a customer might be struggling to engage due to a known mental health problem. Unfortunately, we have heard bad practice from our Research Community for when a firm has failed to act on a disclosure of mental health problems during a debt collection journey.

*"[Energy company] unhelpful with regard to how they work out bills which show I am in credit, but they say I owe them money. It was causing my anxieties to increase, but they just insisted I owed money and didn't take account of my mental health, which I stated I suffered from at the*

*beginning of the call. It had taken a lot of courage for me to make the call in the first place, as I find it extremely difficult to speak to strangers."*
Expert by experience

*"They treated me as if I was a customer refusing to pay my bills and issued all the threats they usually do but totally ignoring my mental health issues. Asked to speak to a manager and they refused my request so asked for a complaint to be raised and again they refused. I was treated like something unsavoury that they stood in."*
Expert by experience

Again, we have heard positive experiences and the difference this can make cannot be underestimated.

*"Due to my concentration issues I made a fluff up with my first bill, ended up speaking to one of [energy company]'s customer services reps - she was so lovely, understanding, offering ways that [energy company] can help financially."*
Expert by experience

**Offering support**
Energy firms are required to work with consumers to find an appropriate repayment plan that customers can afford. We have heard from Research Community members that this can make a significant difference to people's finances and mental health.

*"I was on long term sick leave and only in receipt of statutory sick pay and knew my next DD payment wouldn't go through as there were insufficient funds in my bank account. I called and explained my circumstances. I was set a payment plan of £1 per month until I was back at work and could pay more. I was put on the PSR. All in all the lady was lovely, knowledgeable and most of all kind. I really couldn't have received a better service"*
Expert by experience

We believe that there needs to be consistency across the market in how repayment plans are being calculated. This should include the use of Standard Financial Statements which are used by debt advice providers and many customers in debt will be familiar with. Beyond repayment plans, we think it should be good practice to be more regularly writing off debt for customers who are on negative budgets. Ofgem should consider how firms could be financially supported to do so.

Beyond the support firms can offer, companies often will signpost to external organisations who offer support. We think that this is important but signposting on its own can often be ineffective for people with mental health problems who can struggle to act on this information when unwell due to symptoms like low motivation and difficulty processing information.[35] Additionally, this information is often restricted to organisations who can offer support for people's money. But it is essential that firms also include information about organisations who can support people's mental health. In October 2023, almost half of people in the UK (46%) reported feeling anxious due to the rise in living costs and over a quarter (27%) felt unable to cope.[36] Unfortunately, many companies do not currently include this information on their website. As Ofgem acknowledges in the call for input document, some companies have developed closer relationships with money and debt advice organisations to more directly refer customers to this support. We welcome this and think it should be standard practice. Ofgem should encourage more firms to do this by including it in existing guidance or rules to say 'where appropriate firms should refer customers to debt and money advice providers', building on existing rules that says customers should be given information about such providers.

*"[Energy company] listened after I said I have disabilities and passed my details to some charities with my consent after I told them of my financial difficulties"*
Expert by experience

**Appropriate enforcement**
We welcomed Ofgem's new rules on the forced-fitting of PPMs, although we believe it could have gone further in some instances.[37] However, there is a risk that firms will use other enforcement activities, like debt collection agencies (DCAs) and court enforcement, in greater frequency instead. These activities branch out into other areas of regulation and so Ofgem's ability to set rules on firm activities is limited. However, we believe that companies should be following best practice in this area. This includes only working with debt collection agencies that have training and guidelines on customers in vulnerable situations, including mental health, or who are regulated by the FCA. Although DCAs can have policies on vulnerable customers, we have heard about poor practice from the Research Community. Additionally, given bailiffs don't currently have statutory regulation there can be widespread poor practice.[38]

*"I am being hassled by [debt collection agency] about an [energy company] debt that is not mine - it was the previous owners of my flat and nothing I have said is being accepted as proof.*
Expert by experience

*"[Energy company] 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*

[35] Clarke T. From pillar to post: why signposting is not enough. Money and Mental Health Policy Institute. 2017.
[36] Murray T and Bond N. Debts and despair. Money and Mental Health Policy Institute. 2023.
[37] Lees C. Money and Mental Health's submission to Ofgem's Call for Evidence on PPM rules and protections. Money and Mental Health Policy Institute. 2023.
[38] Citizens Advice. Bailiffs behaving badly. 2023.

*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

As Ofgem cannot regulate DCAs, we would want it to introduce new guidance and where possible new rules on the steps firms need to take before passing a customer to a DCA and which DCAs firms should work with. This could include similar steps to the PPM forced installation rules and guidelines, such as recording the steps taken and requiring an assessment from a different team, or build on the Energy UK Winter Debt Commitments and require board level sign-off for policies on using DCAs. Ofgem could also consider what best practice should be on the time period before firms take stronger enforcement action. Given the harms that could occur due to the escalated action, Ofgem might need to introduce a minimum time period.

Ofgem has acknowledged many of the above in its own best practice on supporting customers in payment difficulty, but we want this to be included in rules or formal guidance for firms so it's not just best practice but business as usual.

We will be starting a new piece of work looking at debt collection in utilities, including energy. We will engage with different suppliers as well as speaking to our Research Community. We will be keen to share the findings and recommendations with Ofgem when they are available.

### Q7: What lessons can we learn from other sectors and countries on managing affordability and debt? And how should they be applied to the energy sector?

Ofgem is not alone among regulators in considering how to ensure that customers in debt or in financial difficulty are protected in light of the cost of living crisis. We believe that Ofgem could learn from other regulators, both their success and limitations, and take some stronger action in this area.

#### Financial services

The FCA recently announced its decision for strengthening protections for borrowers in financial difficulty, following a consultation on bringing Coronavirus Tailored Support Guidance into rules.[39] Crucially the FCA broadened the groups of customers the rules apply to from those with a payment shortfall to those who have or might have payment difficulties. This means that the same support is given to customers that the firm knows are at risk of falling behind on payments as those who have already fallen behind. In light of our comments in question one, we think that Ofgem should adopt a similar approach to any new rules or guidance on debt. New additions to the rules include requirement for the early identification, using relevant

[39] Financial Conduct Authority. [Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages Feedback to CP23/13 and final rules](). 2024.

information, of repeat usage of overdrafts and to communicate promptly with the customer. We believe Ofgem should learn from this on how to push firms to better use data to reach out to support customers at risk of falling behind on their bills.

The FCA has also included a requirement to support customers to engage through appropriate channels and to change channels if that would help the customer engage more effectively. However, we feel that this does not go as far as the original proposal which was for offering a range of channels. This leaves the firm to decide what is 'appropriate' rather than for what best suits a customer. The FCA changed this in light of smaller firms being concerned about having to spend money to offer more channels. Ofgem has a smaller number of firms to regulate and so Ofgem should be bold and ensure that it requires firms to offer a range of channels for customers to get in touch when struggling with their bills.

Finally, the FCA included a requirement for mortgage providers to, where appropriate, signpost or refer the customer to money guidance or debt advice. Ofgem could adopt a similar approach to push more energy firms to make direct referrals rather than just signposting as currently required.

**Water and telecoms**

In 2022 Ofwat introduced new 'paying fair' guidelines for water customers when supporting customers.[40] The guidelines included a range of minimum service expectations which we believe Ofgem could learn from and apply to energy companies. One crucial part of the guidelines that we would draw Ofgem's attention to is around debt communications where Ofwat says "all communications sent to customers in debt should be… courteous and non-threatening." We believe Ofgem should introduce a similar requirement for energy firms. Additionally, similar to the FCA, Ofwat included a minimum expectation that firms would "refer customers to local advice agencies, charities or voluntary organisations for further help".

In telecoms, Ofcom has guidance for firms on treating customers in vulnerable circumstances fairly and in 2022 it strengthened some of the guidance around customers in payment difficulty.[41] As with the FCA, Ofcom broadened this part of the guidance from applying to those "facing problem debt" to those "in debt or struggling to pay". The guidance already included a suggestion for firms to refer customers to debt advice charities, including direct referrals where possible, which we think Ofgem should learn from. Additions to the guide included proactively emphasising available support, taking customer communication preferences into account when contacting customers and including information about debt advice in relevant communications.

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[40] Ofwat. Paying fair – guidelines for water companies in supporting residential customers pay their bill, access help and repay debts. 2022.

[41] Ofcom. Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers. 2020 (updated in 2022).

Crucially, following our recommendation, relevant communications not only included collection communications but also wider payment communications.[42] We felt that it was important to raise awareness of available support in these communications so customers would be aware of what support was available before they then got into financial difficulties. Ofgem should consider taking a similar approach and requiring firms to include relevant information in billing. Additionally, Ofcom also recommended that firms should use debt collection agencies that have existing policies on vulnerable customers. While there is a lot to learn from the guidance, it is not a requirement for firms and so Ofgem should ensure any changes it introduces are either in the rules or in required guidance, as with the new PPM forced installation rules.

Beyond the guidelines and guidance introduced by Ofwat and Ofcom, both water and telecoms sectors have social tariffs for eligible customers. While we have pushed for bold action from the government, which could include a social tariff in energy, above, we think there are some key lessons for Ofgem and the government to learn from water and telecoms before any energy social tariff could be introduced. Firstly, in both sectors, the eligibility criteria and level of discount vary between providers. As water is a non-competitive market, this leaves customers facing a postcode lottery. In telecoms, while customers can switch to a social tariff with their own provider or a different provider, it can be very confusing to know what is on offer and how they compare across the market, which can be made even more difficult due to symptoms of mental health problems like difficulty processing information.[43] Any social tariff, or targeted tariff as proposed in Ofgem's recent discussion paper, must have a standard minimum level for eligibility and discount across the market, while also allowing firms to be able to offer wider eligibility and larger discounts. Secondly, in both sectors, these are tariffs that customers have to apply for, rather than ones that are applied automatically. This means that takeup is very low. For example, in telecoms, only 8% of eligible households are on one.[44] In order to avoid this in energy, the social tariff should be applied automatically, potentially building on the data matching that allowed for the Warm Home Discount to be administered automatically to all eligible customers. Finally, in telecoms, companies are not required to provide a social tariff and as such any attempt to increase take up from Ofcom is on a voluntary basis. Any social tariff in energy must be a requirement for firms.

While it isn't a requirement from Ofwat, several water companies offer payment matching schemes to customers in debt.[45] Through these schemes, which are paid for through water bills, companies match the payments being made by their customers who are in debt and match other eligibility criteria. Ofgem should consider whether a similar scheme could be

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[42] Ofcom. Treating vulnerable customers fairly guide: Statement on changes to the guide to help ensure customers in debt or struggling to pay are treated fairly. 2022.
[43] Holkar M and Evans K. Levelling the playing field. Money and Mental health Policy Institute. 2017.
[44] Ofcom. Top trends from our latest telecoms pricing research. 2023.
[45] For example, United Utilities, Wessex Water, Thames Water and Severn Trent.

introduced in energy, but again it would need to be a requirement for firms and consistent across providers.

**International lessons**

We are interested in the Australian example included by Ofgem in the call for input document for a shared funding pool for providing financial counselling support to customers who are unable to pay their energy bills. Debt advice provides an invaluable service to many people but with skyrocketing demand due to the cost of living crisis it faces a funding challenge.[46] While energy firms do provide funding voluntarily to individual debt advice providers, there is no debt advice levy like in the financial services industry. However, energy debts have become one of the main debts that advice organisations are dealing with.[47] Ofgem should consider whether energy companies should play a larger and required role in funding debt advice. This is something we are exploring over the next few months with our partners, Impact on Urban Health.[48]

In terms of limiting the frequency of debt collection communication, a more direct approach is seen in the US, where the Consumer Financial Protection Bureau - the body that oversees consumer protection in financial services - introduced a Debt Collection Rule. This limits debt collectors to making no more than seven calls within a seven-day period, or within seven days after a telephone conversation with the customer about the particular debt.[49] However our recent research shows that this level of communication can still drive significant psychological harm.[50] Ofgem should consider what an appropriate limit could look like across all communication channels in the energy market.

[46] Foster P and Borrett A. Record number of UK households seek help with cost-of-living issues. Financial Times. 2023

[47] Greenall A. Debt time bomb: countdown to a household debt disaster. Citizens Advice. 2023.

[48] Diamond C. Reshaping the role of the energy sector: Solving problem debt. Impact on Urban Health. 2024.

[49] Consumer Financial Protection Bureau. When and how often can a debt collector call me on the phone? 2023.

[50] Murray T and Bond N. Debts and despair. Money and Mental Health Policy Institute. 2023.