



Consultation on the Consumer Protection Strategy 2015/16 – 2019/20

CAP's official response to the
Utility Regulator in Northern Ireland



March 2015



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against
poverty

CAP



Lifting people out of debt and poverty



Following our attendance at several forums as it was developed, Christians Against Poverty (CAP) is pleased to have the opportunity to comment officially on the proposed Consumer Protection Strategy for Northern Ireland.

As essential services, utilities can have detrimental impacts on consumers' quality of life if they are unaffordable, inaccessible or deal with crisis situations poorly. Fuel poverty has crushing emotional and physical implications. Due to debt, 51% of CAP clients report that they were unable to heat their homes and 24% unable to afford to cook hot food before seeking CAP's help.¹ The reality of this means that families are going without any electricity for several days at a time, struggling to get their washing dry and eating cold beans for dinner. At CAP we help clients prioritise their essential expenditures and get back on track with any utility arrears, but we also need energy suppliers to do what they can do to prevent and mitigate the impacts of fuel poverty.

Firstly, we want to acknowledge that much good practice already exists in Northern Ireland, especially amongst electricity suppliers. CAP works with a significant number of vulnerable consumers, who benefit from the protections to ensure they are not placed on a prepayment meter or disconnected. In addition, prepayment meter tariffs in Northern Ireland are largely non-discriminatory compared to the rest of the UK, where poorer households predominantly pay more for their energy due to prepayment meters (PPM).² However, there is still more that needs to be done to protect the most vulnerable consumers, many of whom are on PPMs. The strategy particularly makes good progress in prompting clear communication and supporting clients in crisis situations. Below we have provided some suggestions to make these protections more robust to maximise the consumer protection created by the strategy.

The increased competition since utility markets were opened up has undoubtedly benefitted consumers. CAP is pleased that the Utility Regulator is proactively seeking to ensure that domestic consumers continue to benefit and are protected from any detrimental implications of this. We hope that as a result of this strategy, there will be improvements in non-regulated industries, as the electricity, gas and water industries set a strong example for best practice with the help of the Utility Regulator.

CAP is encouraged by the Utility Regulator's decision to formalise and promote consumer protection strategies. We are sure that the Consumer Protection Strategy 2015/16-2019/20 will benefit domestic consumers, and hope that increased understanding of, and provision for consumer needs results from its implementation. We have provided below further comment on the objectives, activities and outputs of the proposed strategy, and would be grateful for any further opportunities to engage with the Utility Regulator as this strategy is finalised and rolled out.

A handwritten signature in black ink that reads "Matt Barlow".

Matt Barlow
UK Chief Executive

¹ See CAP (2015) Client report 2014 for more details. Please contact externalrelations@capuk.org for a copy.

² See CAP (2015) The poor pay more for more details, which can be accessed here: <https://capuk.org/poorpaymore>

Christians Against Poverty (CAP) helps thousands of individuals and families struggling with unmanageable debt each year. Through our network of 280 CAP Debt Centres based in local churches, CAP offers a free face-to-face debt management service, with advice and on-going support provided from our Head Office. In 2014 CAP worked with 12,295 households, with 2,534 of these clients becoming debt free in the year.

In addition to this, CAP is the largest provider of face-to-face adult financial education in the UK. There are currently 879 CAP Money churches providing a three-week money management course, equipping 12,000 people each year to budget, save and spend wisely. CAP has also recently expanded to tackle the causes of poverty. To this end, CAP now operates 115 CAP Job Clubs and is piloting 26 CAP Release Groups to tackle unemployment and dependencies.

Consumer Protection Strategy 2015/16 – 2019/20

Consultation questions

1. Do you agree with the four strategic objectives in the Consumer Protection Strategy?

Yes. Affordability, equal access, transparency and promoting best practice are all vitally important aspects of consumer protection, and areas in which CAP believes there is room for the Utility Regulator to drive meaningful improvements.

2. Are there any additional objectives which should be included in the Strategy?

The four proposed objectives capture a wide breadth of consumer protection concerns. CAP does not wish to suggest any additional objectives, but would like to suggest that the scope of some of these is expanded. Please see answers to questions three and four for more details.

3. Do you agree that the activities and outputs identified under each objective are the right ones?

CAP agrees with all the proposed activities and outputs included in the proposed strategy. However, there are additional activities and outputs that should be included to improve fully and more robustly consumer protection. In addition, there are some potential barriers to achieving the proposed outcomes that also need to be considered.

Focus on affordability

- In CAP's experience, consumers often struggle to understand their energy bills. For example, one CAP client was making a regular payment to his electricity supplier without realising he was actually £102 in credit. It is fantastic that the strategy aims to make bills easier to understand through using a Billing Code of Practice. As increased switching is a desirable outcome of the strategy, it is important that there is consistency in the layout of bills between suppliers. Ensuring the Billing Code of Practice is prescriptive about the layout, rather than just what is deemed to be clear communication, will help consumers who transition between suppliers easily understand new bills.
- Similarly, when a customer is in debt, clear communication is essential to help them get back on track, and is a uniquely placed opportunity to ensure those in financial difficulty are aware of free independent debt advice. CAP is pleased that guidance for this will be set out and would propose that a key part of this is giving details of debt advice agencies. For this purpose it is important to determine when a consumer is deemed to

be in debt, and CAP would suggest that it is in the consumer's interest for this information to be provided as soon as one payment is missed, rather than waiting until the situation has worsened and warning letters have been issued. This means the consumer is prompted to take action before a sizable amount of debt builds up.

- Like many consumers, CAP clients often face difficult personal circumstances or financial difficulties that impact upon their ability to keep up with payments. We are pleased that there will be reviewed, voluntary arrangements for consumers in crisis, as accommodating these will prevent their situation from escalating. CAP would encourage the Utility Regulator to ensure that all consumers that need it receive an appropriate level of support and forbearance, and consider whether these need to be mandatory arrangements. In addition, it is important that the definition of crisis is encompassing enough that any consumer in need is entitled to this additional support and their full financial picture is considered, not just their energy arrears. In addition, an appreciation that a crisis is not necessarily a short-term problem, and the effects might last over a long timescale is important when creating these arrangements.
- Finally, there is no mention in the proposed activities of the self-disconnection of consumers on prepayment meters (PPM). This is discussed further in answer to question four.

Ensure equal access to utility services

- As far as CAP is aware, the Critical Care Register has not been updated for five years, and therefore we are pleased the Utility Regulator plans to update it. It is important that all the most vulnerable consumers are included on the list, and we ask the Utility Regulator to clarify from where this information is drawn.
- Under this section CAP would also like to highlight that those living in sheltered accommodation often struggle to access their meters and monitor usage. Consideration should be given as to how these consumers can be given better access to this information.

Empower customers through education and transparency

- CAP supports improved tariff comparison tools to ensure all consumers gave the best deal for them. However, we are not convinced there is sufficient consumer awareness of being able to switch supplier, and how to do so. Lack of internet access is also a barrier for some consumers, and particularly restricts vulnerable groups from taking advantage of these tools.

Provide leadership through being a best practice regulator

- Ignoring the self-disconnection of those on PPMs when reporting on affordability will give an inaccurate picture of consumer needs. CAP would encourage the Utility Regulator to consider how best to capture the affordability and energy use of this group in their evidence-base.

4. Are there any additional projects or areas of work which should be included in the Strategy?

There is little mention in the proposed strategy of activities and outputs to address fuel poverty. CAP is particularly concerned about clients on PPMs, who predominantly have previously struggled to keep up with their energy bills. Despite fairer tariffs than the rest of the UK, and protections to ensure vulnerable customers are not put onto a PPM, many

consumers still cannot afford to heat their home and there is little monitoring of the extent of their self-disconnection. In addition, it is not well known that consumers on benefits can apply to have arrears deductions reduced to 20% rather than 40%. More needs to be done to protect and identify consumers on prepayment meters. Unless this strategy puts a greater focus on their needs a substantial proportion of consumers will be left largely unprotected.

5. What do you think should be the top three priority projects for the Consumer Protection Strategy? (Please provide supporting reasons).

In CAP's opinion the top three priorities should be:

1. Address self-disconnection of those on prepayment meters
2. Making bills easy to understand, with similar layouts across suppliers
3. Early signposting to free independent debt advice

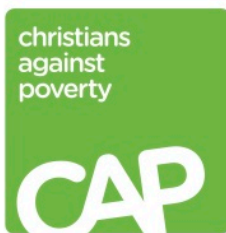
Requests for further information

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