

# *Consumer Protection Strategy Review and Proposed New Consumer Protection Programme commencing April 2019*

*CAP's official response to the Utility Regulator's consultation*

October 2018

**always hope.**



Christians Against Poverty (CAP) is pleased to respond to the Utility Regulator's (UR) consultation on their Consumer Protection Programme (CPP). It is encouraging to see the growing focus on consumer vulnerability and protection, and we hope that the projects rolled out over the next three years will help to accommodate and improve practice to ensure that consumers are treated fairly.

We welcome the numerous projects listed that are designed to help increase consumer protections across the country. The CPP is a good step towards helping Northern Ireland design an industry that caters for all its customers, particularly those who are in vulnerable circumstances.

Although in general CAP welcomes the proposals, we have suggested that supplier debt communications are raised in priority because often financial difficulty can leave people in severe hardship. As it stands, the current communications can be overbearing, intimidating and ineffective, therefore by redesigning letters and improving phone calls, those in financial difficulty can be identified and helped. We also wanted to see more emphasis on consumer pathways, helping to encourage customers to find the best tariffs for them and in turn helping to get back on track. This is a big topic at the moment in Great Britain, with Ofgem bringing in a price cap to ensure that those who are not, or cannot, engage in the market are not overcharged for their energy.

We look forward to seeing how the CPP will change the utilities industry approach to consumers, and we welcome the emphasis on reviewing the success of the projects over time. We suggest that these reviews need to elicit action, with an emphasis on outcomes as opposed to analysis.

In recent years CAP has been involved in helping to shape Ofgem's vulnerable customer policy in Great Britain and we are pleased to continue to feed our views into the UR's Consumer Protection Strategy (CPS) and the CPP. At CAP, we are acutely aware of the number of people in the UK who struggle to afford their energy, often hearing stories about people who are sitting in cold, dark houses eating uncooked food. CAP has helped hundreds of clients from Northern Ireland get their finances back on track, prioritise spending on essentials and building financial capability. This CPP will help to encourage utilities providers to do what they can in order to alleviate and mitigate the impacts of fuel poverty.

The next three to five years will see much change in the utilities market in Northern Ireland and CAP is eagerly anticipating seeing the benefits for our clients in financial hardship.

A handwritten signature in black ink that reads "Matt Barlow." The signature is written in a cursive, slightly slanted style.

Matt Barlow  
Chief Executive and International Director

### Question 1

**Do respondents share the view of the UR that the equality impacts of the proposed CPP are positive and therefore do not require a full screen? If yes, please provide details of any evidence you feel UR should consider.**

CAP shares the view that the UR does not need to conduct a full screen on the equality impacts of the proposed CPP. By the very nature of the programme, the CPP should promote greater equality.

### Question 2

**Do respondents agree with the proposal to expand the existing CPS Leadership objective to become Leadership and Engagement for the reasons set out in this paper?**

CAP welcomes the move to provide leadership through being a best-practice regulator, which can be seen through the new Leadership and Engagement objective. CAP is particularly pleased to see projects that involve the exploration of best practice through participating in working groups across the government and industry. Working with consumer groups is equally as important, facilitating a space for groups to voice concerns of the consumer and develop best practice. It is also integral that relationships are built and work is done with the UK Regulators Network (UKRN) to help provide best practice examples to the UR and the Northern Ireland utilities' industry. These relationships can often come with mutual benefit, whereby members of the UKRN can learn from the UR and vice versa.

### Question 3

**Are the projects included in table 9, 10 and 11 the full list of projects that respondents want to see included in the CPP? Do you agree with the proposed prioritisation of the projects listed?**

In general CAP agrees with the proposed prioritisation of the projects listed. The projects cover a broad range of aims. From the table in the consultation paper, CAP is particularly pleased to see the emphasis on ensuring that consumers experiencing unforeseen changes are protected. As flagged in the workshop on 19 November, the challenge comes with the identification of vulnerability and the ability to record this information with consent. It was also noted at the workshop that it would be beneficial to identify how this barrier was being overcome in Great Britain. Great Britain and Northern Ireland are subject to the same General Data Protection Regulation (GDPR), however suppliers in Great Britain are successfully identifying and storing vulnerability information on their customers. In Great Britain, it is down to the interpretation of the regulation that has allowed for the internal storing of vulnerability features in order to serve the customers' best interests. Building a relationship between the country's suppliers will help to resolve this problem as best practice can be shared and barriers removed.

One of the issues that is commonly seen across the board, both in Northern Ireland and Great Britain, is the tick-box approach to vulnerability, which is not an effective way of capturing these multiple complex needs. The Ofgem definition of vulnerability encompasses the transient nature

of vulnerability and steers clear of any labelling terms. However, the definition lacks any mention of enduring vulnerability, which is important to acknowledge. Enduring vulnerability exists in the instances where temporary vulnerabilities continuously occur, creating situations in which someone is in need of extra support over a long and sustained period of time. For instance, if someone experiences job loss, then a few months later experiences bereavement, the emotional turmoil might put a strain on a personal relationship causing it to breakdown later down the line. CAP would recommend that the UR decide upon their own definition of vulnerability, for its suppliers to also adopt.

#### Ofgem's definition

*'When a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where they are: significantly less able than a typical consumer to protect or represent his or her interests in the energy market; significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.'*

#### Ofwat's definition

*'A customer who due to personal characteristics, their overall life situation or due to broader market and economic factors, is not having reasonable opportunity to access and receive an inclusive service which may have a detrimental impact on their health, wellbeing or finances.'*

These two definitions focus more on the consumer's ability to access the market, and the potential consumer detriment, than on defining their specific vulnerabilities. Both definitions identify the potential for detriment to occur if protections are not put in place. Ofgem ensures that its suppliers are adhering to the standards by upholding them to the rule that enforcement action will be taken, even if only one consumer faces detriment. CAP recommends that the UR create their own standards and clearly outline the repercussions of non-adherence.

It was welcome to see the continued engagement with stakeholders, working groups, United Kingdom Regulator's Network (UKRN) and Competition and Market Authority (CMA) – however, it needs to be ensured that this engagement then develops outcomes. By this, CAP would like to see more indication in the projects' headlines that the reviews then lead to improved practice. An example of this was seen under the Equal Access projects, where was written, 'Review and develop consumer engagement'. It is good to review current projects, but also to ensure that information gained is then channelled into improvements for the market. Changing the wording of these project titles would ensure that action does not cease after the review stage.

It is important that the standards to which suppliers are upheld are relevant and up-to-date. As a result, CAP would suggest that the Guarantee Standards Scheme for the electricity industry is updated. This document, reviewed and consulted upon two years ago, has not been amended for thirty years, and much of what it contains is no longer relevant to this changing and dynamic marketplace. Although this sits as a low priority for the UR, by updating it and creating some minimum standards, best practice would be fostered and rolled out to suppliers – completing a main objective for the UR.

The projects illustrate a clear desire to investigate and deliver best practice approaches, helping to replicate good practice from other sectors and Great Britain. There is also scope to build on this through training suppliers' staff on how to identify vulnerability, how to move a case forward and connect services together in order to bring about good outcomes for the customer. There are many organisations in Northern Ireland that support vulnerable people and would be well placed to deliver training to utilities suppliers. It is beneficial to share best practice and ideas between

organisations, helping to develop the successful consumer protection programme. The Money Advice Trust (MAT) have developed many vulnerability resources and deliver this training as part of their vulnerability work.<sup>1</sup> There should be a high standard of customer service across the organisation as customers in vulnerable situations may not have been identified and could come into contact with any part of the organisation at one time. It is important, therefore, that whilst it is good to train specialist teams to house vulnerable customers, all staff members with contact to customers should have a good level of customer service and understanding of vulnerability, as well as the autonomy to apply flexibility in all circumstances.

As mentioned in CAP's previous consultation response, it was felt that there still needs to be a greater focus on addressing fuel poverty. This is more pertinent for those using prepayment meters (PPM) because of the high risk of self-disconnection. There need to be greater measures in place to ensure that vulnerable customers are not put onto a PPM and more done to monitor self-disconnection, which CAP knows is an ongoing challenge across the UK.

#### Question 4

**Are respondents content with the projects contained in table 11 (low priority) which are not current prioritised within the 3-year timeframe of the CPP? And are respondents content that the need for and priority of these projects will be re-examined following year 3 of the CPP?**

CAP would suggest that suppliers should look at improving sooner their supplier communications regarding debt. It has been noted that letters can be overbearing, which in turn can hinder the desired outcome. In spring of this year Ofgem released a consultation on its domestic supplier-customer communications rulebook reforms, which built in freedom for suppliers to innovate and design communications, allowing for more personalised information. The UR could use this rulebook as a guide to encourage its utilities suppliers to redesign their own communications regarding debt. It is important that more consumers engage with their suppliers, especially when in financial difficulty and in order to bring out adequate consumer protections. In CAP's experience, debt can be an isolating experience; two thirds of our clients waited over a year before seeking debt advice and shockingly, a third of clients waited three years or more. Often a reason for this is that they did not know where to turn, or were afraid. Utility providers already have a level of relationship with their customers, and therefore increasing engagement and improving communication is critical in helping to protect customers.

The review of energy consumer pathways to find the best deal is another area CAP would like to see being raised in priority for the CPP. Oftentimes consumers can be heavily disadvantaged due to their inability to switch or lack of awareness around switching. Finding a cheaper deal could often help make energy more affordable, reduce fuel poverty and in turn help customers prioritise other costs, such as food or housing. For those facing digital exclusion, comparing tariffs and switching can be impossible without internet access or computer literacy.

As a result, CAP feels that the review of Equality of Access for those without bank accounts or internet access should be given higher priority. From a briefing paper released by CAP in 2017, *Offline and Shut Out*, it was found that as many as one in five CAP clients were digitally excluded, and unable to access the internet at home or on a smartphone. As services and products become increasingly digital by default, it becomes all the more important to ensure that consumers without access are not disadvantaged or unable to access services to which they are entitled. CAP would even suggest that instead of reviewing the Equality of Access, this should instead be an

<sup>1</sup> <http://www.moneyadvice Trust.org/creditors/creditsector/Pages/Vulnerability-resources-hub.aspx>

ongoing focus for utilities companies. It is also integral that organisations can offer Freephone numbers to customers, particularly those in vulnerable or debt teams, so that not having credit on a phone does not act as a barrier for seeking help.

CAP is content that the need for and priority of these projects will be re-examined following year three of the CPP.

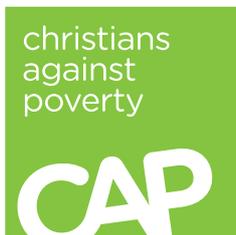
## Question 5

**Further to the previous consultation questions, do respondents have any general comments on the overall proposed CPP? Please provide evidence to support your answer.**

In general, CAP is encouraged to see the proposed projects for the new CPP. The emphasis on vulnerable customers will help to ensure that consumers are protected and that good outcomes are achieved. It is important that customers are engaged in the market, particularly vulnerable customers. One way to do this would be through creating designated vulnerable customer teams, perhaps with a home visiting team within it, who could be trained to support vulnerable customers – as seen in the NI banking industry. As mentioned previously, it is important to ensure that staff across the board are well trained in vulnerability and have the flexibility to help customers who are in need of additional support. Many large suppliers in Great Britain also have home visiting teams who engage with some of the most disengaged consumers. A third-party contact point is also a good way of engaging better with customers in vulnerable situations, allowing consumer groups, such as CAP, to represent the customer and to reach the correct contact quickly and easily.

It is important that consumers are protected from price hikes, especially those consumers who are vulnerable and disengaged. In Great Britain Ofgem have recently brought in a price cap for Standard Variable Tariffs, designed to protect consumers who do not engage with the market or switch to a better tariff. However, the flaws of this price cap mean that the most vulnerable customers are not always protected, such as those who use little energy because they cannot afford it. The price cap does not address this deeper affordability issue or give confidence to consumers about the amount they will be billed at the end of a month or quarter. More needs to be done to protect those who cannot engage and cannot afford their energy. In the water industry in Great Britain, social tariffs are available to customers on low incomes who could otherwise not afford their water and sewerage bill. A similar scheme could be replicated across Northern Ireland to help address those deeper affordability issues.

CAP would suggest that there should be a review of the CPP after the initial three years, to ensure that its intended outcomes are being achieved. The UR should continuously monitor suppliers' implementation to ensure that the projects are being successfully introduced into policies, processes and customer service. This will mean that momentum is not lost after the CPP is published and means that any issues can be resolved quickly. It is important that the UR is able to get suppliers on board with these projects, in order to ensure that its adoption is as wide as it needs to be to see the desired results. It is also important that board members and senior staff members understand this programme, helping to instil the right culture from the top down.



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