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Dear Mr Fletcher,

### Energy market investigation: notice of possible remedies

We are really pleased that the CMA has conducted a comprehensive review of the energy market. This comes at a time when many consumer-facing organisations, like Christians Against Poverty, are concerned that the energy market is not meeting the needs of large groups of consumers.

We are delighted to be able to contribute to the investigation in response to the notice of possible remedies using our experience of working with consumers in financial difficulty over the last 19 years. This letter highlights the areas we feel are of particular concern and provides comment on some of the possible remedies to help ensure they meet the intended outcomes and avoid unintended consumer detriment.

#### Notice of possible remedies

It is clear from the CMA's findings that 70% of consumers are currently on standard variable tariffs (SVT), there are low levels of switching and more can be done to empower consumers to engage with the market. This is also our experience and we agree with the need for remedies four, nine and ten.

However, consumers' experiences of the energy market are not only affected by the market's characteristics but also by their personal circumstances. Therefore, it is important to consider that no matter how competitive the market becomes, without safeguarding policies as proposed in remedy eleven some consumers will not benefit due to their personal situations. The possible remedies need careful consideration to ensure all consumers benefit, especially those in vulnerable situations.

It is a major concern of ours that low-income and vulnerable consumers are currently more likely to face consumer detriment, and are less likely to be able to defend their interests in the market and to benefit from these remedies. A significant part of this, as Roger Witcomb highlighted in his comments on the energy market investigation, is due to prepayment meters (PPM). PPM consumers are 'undoubtedly getting the worst of things at present'. These are predominately low-income consumers, and our research earlier this year found

that these consumers could be paying on average £230 extra for their energy each year when compared with tariffs available to Direct Debit consumers.<sup>1</sup>

We agree that PPM consumers stand to benefit the most from smart meters due to the higher tariffs they currently face, and should be prioritised as proposed by remedy five. However, this remedy does not provide a solution to all the issues and barriers faced by those using PPMs. Some will not obtain the full benefits due to lack of internet access, outstanding debt or limited number of available tariffs, for example. Additionally, with the full rollout of smart meters not expected to be complete until 2020, this cannot be the only remedy designed to address the consumer detriment faced by this group.

As the CMA energy market investigation highlighted, there has been a big increase in the number of PPM users. 42% of our clients are using PPM, and they are significantly more likely to experience the severe implications of financial difficulty.<sup>2</sup> When people are in financial difficulty, they frequently have other challenging personal issues happening in their lives and find it difficult to manage their essential finances, let alone to make sure they are on the best tariff. Moreover, the potential savings available would make the biggest difference to these consumers. In addition to remedies ten and eleven, we would suggest considering using a back-stop tariff that requires suppliers to switch tariffs automatically or notify their customers if they have a tariff that would be cheaper based on their usage. This would ensure consumers that are less able to engage fully in a competitive market, either for a short period or indefinitely, still get a fair deal.

Additionally, there is value in removing or redefining the RMR restrictions if they are limiting competition between suppliers and preventing innovative and better value tariffs as in remedy three. Ofgem recently highlighted in their prepayment review that suppliers cite these restrictions as one of the reasons they offer fewer tariffs to PPM customers. However, careful consideration needs to be given to the consumer response of these changes. The actual and perceived barriers to switching are significant, as would be some consumers' lack of understanding of tariff options. Therefore, CAP is concerned that removing these restrictions will not facilitate a user-friendly switching process and will create decision paralysis.

Furthermore, it is important that price comparison websites (PCW) still provide a full market comparison to enable consumers to choose easily and conveniently the best tariff for them. While a higher number of tariffs would make this more difficult, it would not necessarily make it impractical. For example, a similar strategy could be adopted as suggested in the CMA's review of PCWs for payday loans: that suppliers should be required to submit the details of their products to the major PCWs. Alternatively, it could be required that PCWs prominently link to Ofgem's independent price comparison service, as proposed in remedy six, which we think could be a fantastic resource that consumers could trust. To be successful there would need to be widespread knowledge of this tool. The tariff options also need to be conveyed in a tangible and easily comparable way, as well as in the context of an individual's usage.

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<sup>1</sup> CAP (2015) *The poor pay more* accessed at:  
[https://capuk.org/filesserver/downloads/policy\\_and\\_government/The\\_poor\\_pay\\_more.pdf](https://capuk.org/filesserver/downloads/policy_and_government/The_poor_pay_more.pdf)

<sup>2</sup> 67% of clients on PPMs couldn't heat their homes compared to 36% of those not on PPM. 40% had visited a foodbank and 78% had sacrificed meals due to debt, compared to 21% and 56% of those not on PPMs. See CAP (2015) *The poor pay more* for more details.

Overall, we need an energy market that does not require consumers to be super savvy and to spend hours shopping around to find the best deal, but makes it easy for all consumers to make informed decisions that are in their interest, as well as protecting the interests of those who cannot fight their own corner.

We want to extend our thanks to the CMA for the part they are playing in this, and would be happy to engage further in discussions on the possible remedies before the final report is published.

Yours sincerely,

**Matt Barlow**  
UK Chief Executive

**Dawn Stobart**  
Director of Debt Management  
and Creditor Relations

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 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-session 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 132 CAP Job Clubs and is piloting 22 CAP Release Groups to tackle unemployment and