



*A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system*

<b>Email</b>	<a href="mailto:fuelpovertyaction@gmail.com">fuelpovertyaction@gmail.com</a>
<b>Website</b>	<a href="http://fuelpovertyaction.org.uk">fuelpovertyaction.org.uk</a>
<b>Facebook</b>	<a href="https://www.facebook.com/fuelpovertyaction">/fuelpovertyaction</a>
<b>Twitter</b>	<a href="https://twitter.com/fuelpovaction">@fuelpovaction</a>

---

### **Response to Competition and Markets Authority proposals for a cap on Prepayment Meter tariffs**

We are responding to your announcement on 11 October 2016 that you intend to impose a cap on prices charged to customers using prepayment meters (PPMs) for their energy, which will reduce the energy costs by around £75 per year. You say, "It is unacceptable that four million households on prepayment meters, many of them vulnerable, face higher bills than other energy customers".<sup>i</sup> Yet the cap you propose would leave PPM customers still paying much more for their power. We believe this proposal is discriminatory, unjust and unjustifiable. The higher charges imposed on PPM customers act as a tax on poverty. Instead, prepayment customers should be offered parity with customers paying by direct debit, and should be compensated for their many years of paying extortionate prices, during which many people have gone cold, and many have gone hungry in order to keep the meter fed.

Our reasons are as follows:

1. You found that the cheapest tariffs for prepayment meter users are £260 - £320 a year more than for direct debit customers, averaged out, in your March report, at £300 per year per customer. A cap reducing this by £75 is unacceptable. Even if, as you claim, PPMs cost more to administer, your proposal would still allow suppliers to take in an extra £160 profit per year from each PPM customer.
2. Prepayment meter users are usually the worst off customers, financially. By your own report, they are most likely to "have low income; have low or no qualifications; have a disability; and live in social housing."<sup>ii</sup> It is regressive, unjust, and dangerous to health to make the people who have the least resources pay the highest prices for their energy.
3. Fuel Poverty Action is constantly being contacted by people who are being pushed onto a prepayment meter against their will, or who already have one and are in despair over the high cost of their energy, the high rate of debt repayment, or the difficulty of accessing a meter or a payment point. The hard realities of their dealings with the energy suppliers make a mockery of the protections that are officially in place to protect people who are vulnerable financially and in other ways. Your deliberations should not be based on what is supposed to happen but on what happens in practice. The high price paid for energy through prepayment meters is even worse in the context of brutality, illegality, high standing charges and debt repayment rates. Please see brief personal testimonies, attached.
4. Prepayment meters are often forced on customers because of arrears, or the fear of them. At one end of the scale are people who choose a PPM "to help them budget" because cash is so short that they cannot afford to risk using energy according to their needs. At the other extreme are people whose homes are broken into to impose a PPM after they go into arrears - a violent and traumatic experience for people whose lives are already difficult. In between are the millions who move into a rented home where they have no choice, or who are pressurised onto a PPM because the energy company fails to properly explore all other options for paying off a debt.
5. It is counter to natural justice that people in arrears should be forced onto a system of payment which is more expensive.
4. Prepayment meters are not supposed to be installed unless it is "safe and reasonably practicable" for the customer to use them, and to top up their key or card. The necessary checks are often ignored, magistrates do not study cases closely, and the meters are often imposed on people for whom they are dangerous, because they are not physically able to top up, or because they are in danger when the power goes off.
5. The higher rate of exploitation of PPM customers acts as a perverse incentive to suppliers to push customers onto this means of dealing with arrears, instead of exploring ways to help their customers and treating a PPM as they are supposed to - as a last resort.

6. Vulnerable customers are protected from having their power disconnected, at least in the winter and in many cases all year round. Yet PPM users are in effect disconnected all the time. When they cannot afford to top up, or are unable to get to a payment point, the power clicks off and they end up cold, in the dark, without refrigeration for food or medicines, and unable to charge their phones.

7. Getting to a payment point can be a real problem for some customers, and is time consuming and extra work for all. It can also be expensive, especially in rural areas.

8. In addition to the extra premium on their payments, many PPM customers have to pay warrant costs for installation, some still have to pay other installation costs, and they are more likely than other customers to have repayment rates for arrears they have run up on credit meters set at a level that they cannot afford.

9. You calculate the extra cost to companies of administering PPMs, mostly caused by administering the payment points in shops, at £63. We note that you originally calculated the difference at £54, but raised it under pressure from the Big Six energy companies.<sup>iii</sup>

10. The arguments advanced by suppliers are highly revealing; you yourselves admit that they are "not robust." For instance, the inclusion of bad debt as an extra cost of PPMs when the debt was necessarily incurred before, not while using the meter, or counting emergency credit as "bad debt". One company said cost differential was higher because PPM users more likely to be disabled or single mothers so more likely to be on the Priority Services Register for vulnerable customers (PSR)! The idea that vulnerability is a reason for higher charges should set alarm bells ringing. So should the use of fatuous arguments to justify higher prices. This is a clear sign that customers are being ripped off -- in defiance of clear regulations stipulating that there must be no price discrimination according to method of payment.

11. There appears to be little weight given to the fact that PPM users' payments are made up front. Like Direct Debit payments, they never require chasing. There is no need for meter readings and no need for bills, and in addition, the cash is advanced to the supplier before the power is used.

12. The technical arguments you advance as a reason for your very little cap, a cap which only slightly dents the poverty premium, will not make sense to the millions of PPM customers, nor to anyone concerned with ending this injustice. You talk about "perverse incentives" if the cap were to be set too low, and the need for headroom to allow suppliers to compete beneath the level of the cap while still earning a normal rate of return".<sup>iv</sup> This appears to promote a hope that in practice companies will price lower than the cap, to be competitive. But you must know this is unlikely to happen. For years you have attempted to make competition work in the energy market (doorstep selling / no doorstep selling / doorstep selling again; multiple tariffs / a few simple tariffs / multiple tariffs again). In the domestic energy market, competition does not work. And for PPM customers in particular, it cannot work: it is difficult and often impossible for these customers to switch supplier. What is needed is a publicly owned and accountable energy industry, and failing that, stringent Government regulation to prevent profiteering at the expense of people's lives. This could begin with a cap that brings PPM users into parity with their better off neighbours who can pay their bills by Direct Debit.

13. You calculate that in 2014 suppliers made £2 billion more profits than they would have if the market were working as it should.<sup>v</sup> That winter 15,000 people are estimated to have died because they could not afford to heat their homes.<sup>vi</sup> This is not acceptable to the public.

Fuel Poverty Action

11 November 2016

i. Roger Witcomb, chair of the energy market investigation, <https://www.gov.uk/government/news/next-step-towards-300m-saving-for-prepayment-energy-customers> 11 October 2016

ii. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/531204/overview-modernising-the-energy-market.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531204/overview-modernising-the-energy-market.pdf) para 18

iii. <https://assets.publishing.service.gov.uk/media/576bcc08ed915d3cfd0000b9/appendix-9-8-analysis-of-costs-by-payment-method-fr.pdf> para 147.

iv. <https://assets.publishing.service.gov.uk/media/576c23e4ed915d622c000087/Energy-final-report-summary.pdf> para 248

v. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/531204/overview-modernising-the-energy-market.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531204/overview-modernising-the-energy-market.pdf)

vi. Excess winter deaths in 2014 – 15 estimated to have been caused by cold homes numbered 15,000 in the UK.

## Appendix to Fuel Poverty Action response to CMA

### Prepayment Meters

Below is a sample of testimonies sent to Fuel Poverty Action which lay bare the realities of life with Prepayment Meters - including not only high charges and debt repayment rates but inflexible, brutal treatment, and illegality in the installation of PPMs.

A mother of two, trying to sort a debt amicably through a payment plan, is told she must accept prepayment meters because one payment didn't go through for lack of funds – even though she immediately contacted the company to make the payment good.

A single mother asks us why her meter takes 70% off her payments and the company refuses to give a breakdown.

Someone with a £47 debt writes that they are getting £3 worth of gas for every £10 payment.

A customer says, “The standing charge is normally ‘whipped off’ at the beginning of every week. It is almost impossible to tell if the charges or prices are correct. If you question it the company tell you that a report has to be paid for.”

A disabled lady says, “I arranged with [Six Large Energy Firm X] a few months ago to have my payments taken out of my benefits monthly. I received a letter telling me that it still hadn't been taken out of my benefits. I rang [Six Large Energy Firm X] and they told me to wait longer as they had informed the DWP. I was awoken today by two [Six Large Energy Firm X] meter fitters. . . They had a warrant from the magistrates court to put a gas meter OUTSIDE my bungalow. They could plainly see I could not walk well and that I had a walker and a crutch and a wheelchair. They started asking the neighbours if I could walk ok and telling them I how much I owed. . . I phoned the gas board up whilst the men were here and the man at the gas board told the men to leave it because they had not informed the judge that I was disabled and they had not informed me they were going to court to get a warrant. They still refused to go and forced me to have the meter in.”

Another disabled woman reports that she was left without heat or hot water for five weeks in the winter due to water getting into her meter, which then would not accept money from her card; the gas company would not fix it.

A mother who had a PPM installed in her absence says, “They came into my house when I wasn't there, knocked over a whole tub of paint, walked it all over my stuff and through my house and now I'm left not being able to afford to put the heating on and

keep up with the gas bills. Myself and my two children are freezing all the time.....surely this can't be legal???"

One person queries, "I do not understand how my arrears can go up if I pay as I go, it just doesn't make sense! I think they have added the previous tenants arrears on, on top of mistakenly adding the same arrears twice!"

Another wrote in early this year to say she rang [Six Large Energy Firm Y] "on the 19th December to tell them I lost my cards. After sending me to two different shops I had to ring back and explain that the shop have not had cards for them for about 6 months and that I have no gas at all. They said [they would] send an engineer out within 4 hours. No one turned up. I rang back Monday, Tuesday, Wednesday, Thursday all said same: engineer will come out. No one came. I had no gas over the Christmas period. I also have a 3 year old child . . . the house is freezing . . .

One reports, "£10 on meter gets me 5 baths and the heating on for approx 2 hours on low heat!!! Absolute joke so I'm currently using no gas as I have no money to put on it . . . I'm now ill with flu all the time, waking up in middle of the night shivering. Bloody sick of my life!"

Another says, "I was told I had no option as I couldn't meet a payment plan. They have set them both up to take £6 a week [for debt] off each meter. (They said if I was on benefits it would have been £3). I am on housing benefit and we receive child tax credit but apparently this doesn't qualify. [It can]. When it is topped up we can only afford to have our heating on for half an hour at a time and we're all constantly freezing. I'm worried about my daughter becoming ill"

A single, able bodied person renting in the private sector writes, "I know it's illegal for the landlord to dictate who supplies my utilities. But as a private tenant I cannot afford to make waves as I risk being served with the S-21 eviction notice if my landlord decides I am a 'problem tenant'. I'm freezing, broke, and terrified."

A disabled customer wrote to us, "I have had a prepayment meter for 3 years with no problem, I owed a debt and have got it down from £2000 to £1000. I can't bend to top up my meter and have to rely on neighbours . . . I saw a programme where they said if disabled people couldn't top up energy suppliers had an obligation to change meters from a prepayment to quarterly and one of the ladies on the show had her arrears put onto a payment plan. I have rang [Six Large Energy Firm Z] today and asked if they will change my meter and was told no until the debt was cleared."

A lady with three children said, "the youngest is just 4 and has been ill off & on all winter due to the cold and damp . . the adviser told me it would be great and that I would love having a meter?! I am so annoyed that they forced me into agreeing to have the meters

fitted . . . as I feel we are going to be far worse off and it's going to take longer to clear the debt and also possibly put me into debt with other bills . . ."

A customer who had not noticed a lack of bills during a bereavement and hospital stays says "the debt was their fault due to not sending me bills. I asked for a pre payment meter . . . I even asked about my tariff, as on my bill it stated a cheaper tariff could save me 480 a year, to be rudely told it's my priority to sort my [debt] and I would have to call back at a later date to discuss, as changing tariffs at the moment is not a option."

A [Six Large Energy Firm X] customer asks, "As a pre-pay customer I pay in advance, never owing them money – so why should I be charged more?"

Finally, this earlier testimony from 2013 highlights the dangers of warrant installations: "I had to leave my job as I was sexually assaulted, I had a breakdown and I was unable to cope . . . [Six Large Energy Firm X] bully boys turned up, there were four men outside the house, with three cars. I was hiding in the kitchen hoping they would go away, but I heard them breaking in and stopped one with his hand in the door unlocking the chain. He was very aggressive and shouting at me. I asked if I could compose myself and whilst they were all waiting outside I telephoned [Six Large Energy Firm X] as I was petrified and crying. A helpful employee arranged a payment plan to be taken directly out of my benefit . . . The aggressive [Six Large Energy Firm X] employee looked dismayed that he had been prevented from breaking into my home and bullying me . . . A couple of weeks later I returned from a doctor's appointment to find that [Six Large Energy Firm X] had broken into my home and fitted a meter. I discovered they had done so as they emptied a cupboard and left the items on the floor, I initially thought someone was in the house! My brother emailed [Six Large Energy Firm X] who explained [that] the DWP [had] rejected the request for the payments to be taken out of my benefits, but I had no letter informing me of this. I cannot afford to turn on the heating as I cannot afford to top up the meter . . ."

**Organisations endorsing Fuel Poverty Action's response to CMA proposals  
re cap on PPM prices, 11 November 2016**

All African Women's Group

Barnet Green Party

DPAC (Disabled People Against Cuts)

Greater London Pensioners Association

English Collective of Prostitutes

Lambeth Asian Centre

Lambeth Green Party

National Right to Fuel Campaign

Payday men's network

Plymouth Energy Community

Reclaim the Power

SELCE (South East London Community Energy)

Single Mothers' Self-Defence

Switched On London

UNISON

WinVisible (Women with visible and invisible disabilities)

Women of Colour in the Global Women's Strike