

# let us switch!

how prepayment meters  
trap people in fuel poverty



# Acknowledgements

**Church Action on Poverty** is a national ecumenical Christian social justice charity, committed to tackling poverty in the UK. We work in partnership with churches and with people in poverty themselves to find solutions to poverty, locally, nationally and globally. Further information can be found at [www.church-poverty.org.uk](http://www.church-poverty.org.uk). Registered charity number 1079986. Company limited by guarantee, registered in England and Wales, number 3780243.

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Church Action on Poverty, Dale House, 35 Dale Street, Manchester M1 2HF

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# Executive summary

- **Over seven million people** are in fuel poverty in the UK.
- **People on prepayment meters pay more for their fuel** because prepayment tariffs are more expensive than other payment methods (except with one energy company, Ebico).
- **Paying prepayment tariffs makes it harder to pay off debt and leaves less money for other essentials**, including food and other bills. Many people facing the 'heat or eat' dilemma are forced to turn to food banks or payday loans to cover their costs.
- **Fuel-poor households spend a much greater proportion of their income on fuel**, with some paying up to 30%, compared to non-fuel-poor households that pay as little as 3%.
- There were **31,000 excess winter deaths** in Britain last year. With elderly people particularly vulnerable during the winter months, fuel poverty is a significant factor contributing to illness and death throughout the winter.
- Energy companies are **not supposed to disconnect supply to vulnerable customers**. But they continue to put these customers at risk by giving them prepayment meters which cause them to 'self-disconnect' when they run out of credit, leaving them without heat or power for hours, days or weeks.
- People are being **trapped on prepayment meters**. Customers who have more than £500 of debt (on their gas or electric meter) or a bad credit history are blocked from switching to a cheaper supplier or tariff.
- The Debt Assignment Protocol (DAP) is supposed to allow indebted customers to switch energy suppliers, but it is **not working effectively**. In 2012, only 248 people (0.17% of the indebted prepayment customers who made the request) successfully switched their supplier through the DAP. Even customers who are not in debt are often prevented from switching their energy supplier.
- **Ofgem should take urgent steps** to enable people on prepayment meters to switch to cheaper tariffs, and put pressure on the 'Big Six' to follow Ebico's example by offering energy to customers on prepayment meters at the same price as other customers.

Many people facing the 'heat or eat' dilemma are forced to turn to food banks or payday loans to cover their costs

## What we are calling for

**Church Action on Poverty is inviting Ofgem to meet with us and with some of the prepayment meter customers we work with. We want to discuss what action can be taken to ensure that low-income customers pay Fair Prices for energy.**

- The Debt Assignment Protocol must be improved.
- Ofgem must work with energy companies to ensure that the poorest and most vulnerable customers are not put on prepayment meters, leaving them at risk of self-disconnection.
- The roll-out of smart meters must be monitored carefully.

**See page 13 for more details.**

# The problem

**Fuel poverty affects millions in the UK. It is worsened by inequality and injustice.**

**F**uel poverty affects over seven million people in England, with this number set to increase to eight and a half million by 2016.<sup>a</sup> The average fuel bill is at a record high of £1,365 (and £2,100 for people living off the gas grid), almost £100 more than a year ago and £831 more than at the start of 2004. More and more people are struggling to keep their homes warm enough, and many more are facing dilemmas over whether to heat or eat. At the same time, the 'Big Six' energy companies made a combined profit of £3.7 billion in 2012.

The main cause of increasing fuel poverty has been identified as the general rise in energy costs, particularly for gas and oil. Coupled with the effects of the economic downturn, lower wages and welfare reform (the bedroom tax, housing benefit cap, cuts to council tax benefit and widespread Job Seeker's Allowance sanctions), people are facing

stark choices about how to spend what little money they have. The injustice of the 'Poverty Premium' contributes to this dilemma – the extra costs which people on low incomes are forced to pay for essentials like food, fuel and finance lead to tough decisions on whether to heat the home or put food on the table.

Fuel-poor households are not only economically disadvantaged; to keep their homes warm they need to spend more on fuel in absolute terms. Low-income households who spend a significant proportion of their income on fuel are least able to afford to do so; often, living in the least energy-efficient properties further increases their fuel costs. Figures show that low-income households can pay up to 30% of their income on fuel, whereas higher-income households may spend as little as 3% of their income on fuel costs.<sup>b</sup>



Jack Monroe is a poverty campaigner

Photo by Lydia Goldblatt for Oxfam

**We hear time and again what a**

**prosperous, affluent country Britain is,**

**the sixth richest in the world.**

**But aren't we ashamed that**

**people who need emergency food**

**handouts are eating cold beans**

**and stewed steak from the tin,**

**or handing it back, because they can't even heat it up?**

# The effects

**Combined with unfair prices for food, finance and other essentials, fuel poverty can have a terrible impact on many aspects of people's lives.**

**R**ecent research has found that more than half of all poor children in the UK are living in homes that are not heated sufficiently, with around a quarter of homes suffering from damp or mould. More than half of children surveyed by The Children's Society said their home was 'too cold' last winter and a quarter said their homes were 'much colder' than they would have liked.<sup>c</sup> 66% of families with dependent children (an estimated five million) said they would be likely to turn down the heating this winter (2013–14), and 55% of these families were worried that their children would become ill because their homes were too cold.<sup>d</sup>

The last few years have seen fuel prices rocket, yet benefits and salaries have failed to keep pace with the cost of living. People are increasingly being faced with the stark choice of whether to 'heat or eat'. More than four out of 10 families said they would cut back their spending on food to cover fuel bills this winter, and 7% said they would be likely to take out a loan to cover fuel costs.

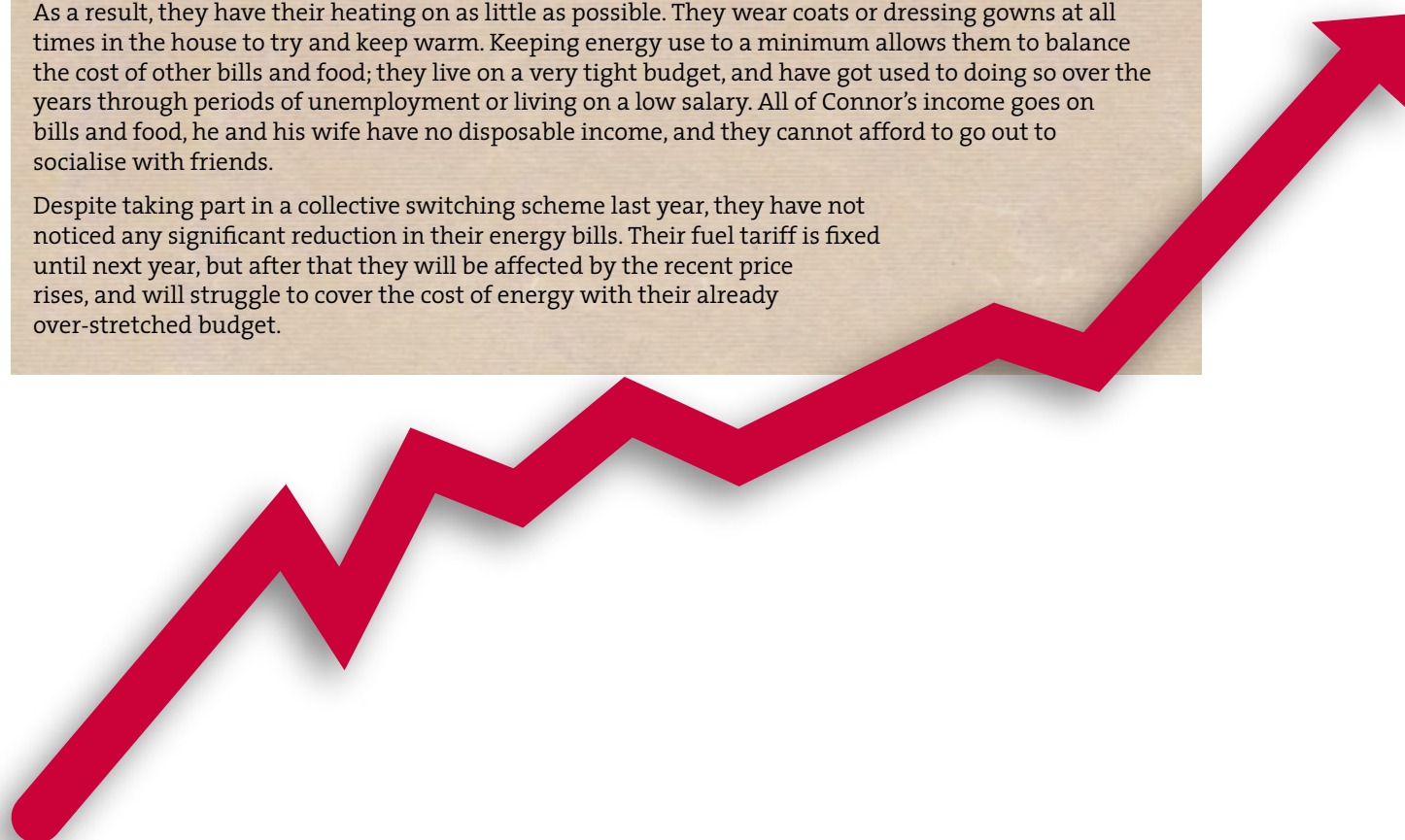
More than 500,000 people are using food banks across the UK, and some are returning food parcels because they cannot afford the gas or electric to heat the food. Food and fuel poverty are on the increase; when combined with debt, they are creating a vicious cycle of poverty for poor people in the UK, with many turning to payday loans to cover the cost of food and energy.

## Case study: rising energy prices

Connor lives with his wife in a terraced house in Salford. Connor works locally and he and his wife live on £600 a month, struggling to cover the cost of gas and electricity for their home.

As a result, they have their heating on as little as possible. They wear coats or dressing gowns at all times in the house to try and keep warm. Keeping energy use to a minimum allows them to balance the cost of other bills and food; they live on a very tight budget, and have got used to doing so over the years through periods of unemployment or living on a low salary. All of Connor's income goes on bills and food, he and his wife have no disposable income, and they cannot afford to go out to socialise with friends.

Despite taking part in a collective switching scheme last year, they have not noticed any significant reduction in their energy bills. Their fuel tariff is fixed until next year, but after that they will be affected by the recent price rises, and will struggle to cover the cost of energy with their already over-stretched budget.



# What is fuel poverty?

**Attempts to redefine how we measure fuel poverty are not helping vulnerable people.**

**T**he government has recently changed the definition of fuel poverty. The old definition classed households that spent more than 10% of their income on fuel, to maintain an adequate level of warmth, as being in fuel poverty. Under this definition, 3.2 million households in England were classed as being in fuel poverty in 2011.<sup>e</sup>

The new definition of fuel poverty states that a household is in fuel poverty if “they have required fuel costs above the median level, and were they to spend this amount they would be left with a residual income below the official poverty

line”. Under the new definition, 2.4 million are classed as being in fuel poverty (2011 figures). The new definition has cut fuel poverty figures by a significant amount; the government have been accused of changing the definition to disguise the number of people in fuel poverty.<sup>f</sup>

Many fuel-poor households spend less on fuel because they cannot afford to adequately warm their home: they are not spending the average amount because they cannot afford to, yet under the new definition, they will not be classed as fuel-poor.

# Excess winter deaths

**Fuel poverty kills people.**

## Case study: threatened by the cold

I am almost 63 years old and my 16-year-old boiler is broken. I have no savings and have a few pounds more a week than pension credits, so I do not have any way of paying for a new one. I am so cold. The temperature in my living room is 15°C at the moment, and my bedroom is less. If it gets any colder, what can I do? I have several layers of clothes on at the moment and wrap myself in blankets during the day to keep warm, I go to bed early between 6:00pm and 8:00pm to keep warm. What sort of life is this? I feel some days it is not worth going on.

Quote from Fuel Poverty Action website<sup>g</sup>

**P**eople living on low incomes who cannot afford to adequately heat their homes are at increased risk of mental and physical illness, and those classed as vulnerable are at increased risk of death (‘Excess Winter Mortality’).

Poorly insulated properties and sustained low indoor temperatures can lead to cold related illness and mortality. Cold weather in winter can bring on strokes and heart attacks in vulnerable people, especially those aged 65 and over. Being cold for even a short period of time can increase the risk, so it is vital that older people are able to keep warm throughout the year and particularly through the winter months.<sup>h</sup>

An estimated 31,100 excess winter deaths occurred in England and Wales in 2012–13 – a 29% increase compared with the previous winter. The majority of deaths occurred among those aged 75 and over;

there were 25,600 excess winter deaths in this age group in compared with 5,500 in people aged under 75.<sup>i</sup> The chief medical officer has warned that excess winter circulatory and respiratory disease cost the NHS £850 million.

People who cannot afford to heat their homes are dying from the cold, as fuel bills continue to increase so does the rate of Excess Winter Mortality.

**Cold homes are caused by a number of factors including poor insulation and high energy costs, and are a major cause of excess winter deaths ... In fact those living in the coldest homes are three times more likely to die a preventable death than those living in warmer ones.**

Caroline Abrahams, Age UK<sup>j</sup>

Compared to other countries the UK fares far worse, with the highest excess winter death rate among comparable north European countries.



Proportionally, many fewer die in Scandinavia despite its temperatures being much lower than those in the UK, and fewer in Germany and France. The UK rate of excess winter deaths is higher because there are a higher proportion of households in fuel poverty, and many homes are in a bad condition and poorly insulated.<sup>k</sup>

Recent reports of elderly and vulnerable customers increasingly being put onto prepayment meters are worrying. Energy companies are not allowed to disconnect older people in the winter, yet transferring them to prepayment meters is tantamount to disconnection, and will directly lead to increased levels of illness and death in the winter months.<sup>l</sup>

**Excess winter deaths are preventable and [these] figures are a damning indictment of our failure to address the scandal of cold homes in this country**

Caroline Abrahams, Age UK

# Prepayment meters

**People on low incomes are forced to pay more for their gas and electricity.**

**O**ver six million homes in the UK pay for their energy through prepayment meters (PPMs). The majority are low-income households, and more than half receive some kind of means-tested benefit or disability benefits such as DLA.<sup>m</sup> Over one third of prepayment households have one resident with a disability or long-term physical or mental health condition, and almost half are home to children aged 16 and under.<sup>n</sup>

Prepayment meters may be installed in properties for a number of reasons: residents might have inherited the meter when they moved into the property; it might have been installed because the customer had trouble paying their bills on a quarterly or monthly basis; it might have been installed by a private landlord; and increasingly, the most common reason for installing a prepayment meter is to recover debt from the customer at the point that they purchase credit for their meter.

Prepayment meters have a number of disadvantages:

- They charge **above-average rates** for gas and electricity.
- The **best energy deals on the market aren't available** to prepayment meter customers.
- They can be **inconvenient** because customers have to go out to 'top up' keys and smartcards. And if people can't reach a shop to top up their meter, energy supply to the house will be disconnected.
- Older meters need to have their **prices updated manually** after price rises or falls, which can

take months. This means customers could be left paying old rates and owing an unaffordable lump sum, or paying too much.

- There is **no competition** in the market for prepayment customers – in December 2013, there was only £36 pa between the lowest and highest tariffs provided by different suppliers.<sup>o</sup>

Prepayment meters have long been a more expensive way to pay for energy compared to credit meters. At one point, low-usage prepayment customers were paying five times more than high-usage direct debit customers.<sup>p</sup> It is more expensive to run a prepayment meter than a credit meter (usually between £50 and £100 more than a credit meter), and this cost is passed onto the customer

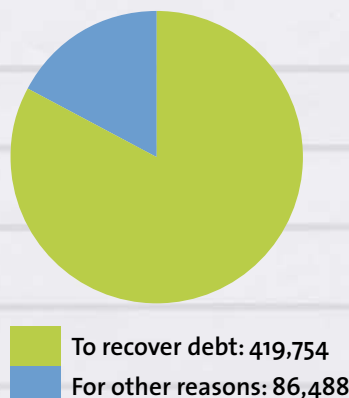


## The figures

Ofgem monitors the performance of domestic suppliers in relation to prepayment meters, debt, disconnection and help for vulnerable customers. In 2012, 1,703,380 customers (both credit and prepayment) entered into debt repayment arrangements for gas and electricity accounts. On average, it took prepayment customers two years to repay their debt.

In 2012, over half a million new prepayment meters were installed in the UK. At the end of 2012, almost seven million people were using prepayment meters – an increase of around 5% on the previous year. Over 80% of these new prepayment meters were installed to recover debt (see the chart). Ofgem stated that the increase in prepayment meter installation was largely driven by more customers entering debt repayment arrangements, and being given prepayment meters instead of being disconnected for debt.

**New prepayment meters installed in 2012**



(by most energy companies) through a higher standing charge and/or a higher per unit price. Prepayment customers are often charged £100–300 pa more than credit customers.<sup>9</sup> Some energy companies do not pass on extra charges to their customers; for example, Ebico offer the same tariff to everyone, regardless of payment method. The costs are spread across all customers, so that no one is penalised for the type of meter they have or how much energy they use. With Ebico, prepayment customers do not have to pay a standing charge or a more expensive tariff, which means big savings can be made compared to prepayment tariffs with other suppliers.

**“The electric, key and gas meter costs over £5 a day, whether we are at home or not. I’ve been on pay-as-you-go meters the whole time I’ve lived here, but the price increases have been coming more and more often. I end up paying between £60 and £70 a week in the winter, when the heating is only on for a few hours a day. It’s unaffordable, and also means we can’t spend money on anything else; sometimes we barely have enough for food. I am really**

**worried about the children, especially the baby, they’ve started getting ill and it hasn’t even become really cold yet.”**

Story shared on the False Economy blog

The government recently recommended that people switch tariffs if they cannot afford their energy bills:

**“They can switch, we have seen a big increase in competition under this coalition government. There are some really big savings to be had out there.”**

Ed Davey, Secretary of State for Economy and Climate Change

But this is not an option for many of the most vulnerable people. Prepayment customers with more than £500 of debt on their meter are blocked from switching energy suppliers.<sup>1</sup> They are unable to take advantage of the lower tariffs which are only available on credit. Even prepayment customers who are not in debt can find it difficult to switch, either because of the prohibitive cost of having a new meter installed or because they have a bad credit rating and have been turned down for credit terms.

## Case study: trapped on an expensive tariff

Jamie and Karen have three young children, all under 10 years old. They live in social housing in Manchester. They have had a number of health problems affecting both themselves and one of the children.

They have prepayment meters for both gas and electricity, and estimate that they spend at least £40 a week on gas and electricity. They made enquiries about having their prepayment meters removed, but they failed the credit check required by fuel companies to go onto a credit meter. They have arrears on their energy account well in excess of £500, which also prevents them from switching to another energy supplier and a cheaper tariff.

An energy adviser is currently working with the family to apply for a trust fund grant which would help them clear their outstanding arrears and allow them to switch supplier. Until then, they remain stuck on prepayment meters and struggle to cover their energy costs.



### Case study: lack of information and support

A senior energy adviser working in the community in Manchester giving energy advice told us that once people have a debt on their prepayment meter very few try to switch their energy supplier. Many do not receive statements and therefore don't know how much debt is set on their meter.

One of the big problems the energy advisers are finding in the community is the amount of money customers have to spend just to contact their energy supplier. A large majority of people who are fuel-poor do not have a landline, relying just on a mobile phone. The 'freephone' numbers provided by the energy companies are not free from a mobile phone. A young mother reported that it cost her £3–5 to call her energy company from her mobile phone, something she has to do on a regular basis as her prepayment meter registers 'call help' when she uses her emergency credit setting on the meter. She does not have a landline or a payphone in her area, and being at home with a young baby means that she often has to make these calls on her mobile.

### Case study: trapped on a prepayment meter

When Julie moved into a new property, she found that there were already prepayment meters for gas and electricity installed. She found the prepayment meters very expensive, and sometimes had to use duvets and blankets to keep warm as it costs too much to keep the meters topped up throughout the winter. With the recent price increases, the standing charge on her meters has gone up from 28p to 56p per day.

Julie does not have any debt on her meters and wants to have them removed so that she can switch to a cheaper, monthly credit tariff. However, British Gas have told her it will cost £250 per meter to have them removed. Julie does not believe that the energy companies are transparent, and feels that British Gas are not treating her fairly. She has heard that other people have been quoted different amounts to have their meters removed, and does not understand why people are being given different prices.

Julie is currently stuck paying over the odds for her energy, but is hoping to switch to a lower prepayment tariff soon.

The cost of having prepayment meters removed can be more than £100 (depending on which energy company a person is with and whether they are a new or existing customer). Some suppliers also take a deposit, which is only refunded if customers make all of their payments on time for the first year of being on credit terms. Some insist on further conditions, e.g. having a current account and having been debt-free for at least three months before changing meters. Suppliers will insist on installing a prepayment meter if a new customer fails a credit check, as a clear credit check is deemed necessary to be accepted for monthly or quarterly billing.

Some prepayment customers say that they prefer this method of paying for their energy because it helps them to budget on a weekly or even daily basis. Many say they would not switch to a credit meter given the choice; however, it is unfair that customers who prefer prepayment should pay over the odds for their energy.

### The Debt Assignment Protocol

The Debt Assignment Protocol (DAP) is a process designed to assist customers with a debt to take part in the competitive market and switch to a cheaper prepayment deal so that they can pay off their debts more easily.

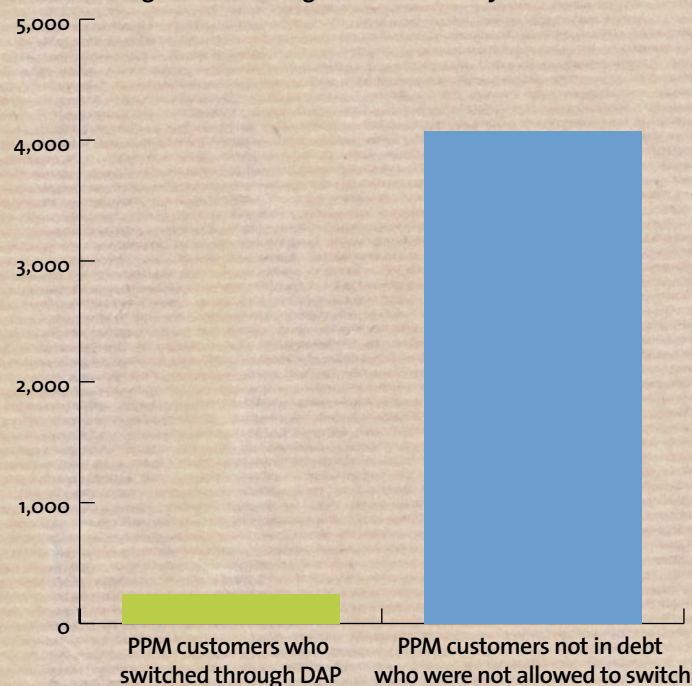
Suppliers have reported that in 2012 around 70,000 indebted customers with an electric prepayment meter and 71,000 customers with a gas prepayment meter attempted to switch suppliers. Only 148 electricity and 100 gas accounts (0.17% of total

requests to switch) were successfully switched through the Debt Assignment Protocol.<sup>5</sup>

We believe that much needs to be done to improve the DAP. It is not working for tens of thousands of customers, who are prevented from switching energy suppliers and are unable to take advantage of cheaper tariffs.

### Blocked from switching

The DAP is ineffective, and most prepayment customers are blocked from switching tariffs – even if they don't have any debts. (The chart shows combined figures for both gas and electricity customers in 2012.)



Suppliers have agreed to mention the DAP when they block a customer from switching, but this clearly does not give customers enough information about how it works or how it could help them. At present, the DAP only allows prepayment customers to switch to another prepayment tariff (for which there is currently very little competition), leaving customers trapped on prepayment meters and paying the most expensive tariffs.

The number of prepayment customers switching to credit meters is in decline, with 40% fewer customers switching from prepayment to credit in 2012 than in 2010.

Energy firms are not only blocking customers who are in debt. In 2012, 3,927 electric prepayment customers who were not in debt had their requests for credit terms refused, as did 152 gas prepayment customers. Ofgem does not know why these customers were refused credit terms, and further investigation is needed to improve the situation for all customers.

**We are calling on Ofgem to meet with us to discuss the failings of the DAP and find ways that it can be improved. It is up to Ofgem to regulate the market and ensure that social obligations are met by all energy companies. Suppliers are currently profiting by blocking customers and trapping them in a non-competitive market.**

Having a debt with one energy supplier should not prevent customers from switching to another supplier. If someone has a debt to their mobile phone provider, they are still able to move to another provider while paying off their debt to the other company. Why can this not be applied to the energy market? Allowing customers to switch to a cheaper tariff will help them to save money, and in turn pay off their debts more quickly.

## Disconnection

The Big Six energy companies have been accused of disconnecting people 'by the back door' through their increased use of prepayment meters for low-income customers who cannot keep up with their energy bills. Although the Big Six have pledged not to disconnect the elderly and vulnerable in the winter months, there is growing concern about the numbers being placed on prepayment meters. Once on a meter, customers effectively disconnect themselves when they cannot afford to top up. Of the 419,754 gas and electric prepayment meters which were installed to recover debt in 2012, 104,235 (almost 25%) were fitted on a warrant visit, without the customer's consent. The Energy Select Committee is currently investigating how many indebted customers are forced to 'self-disconnect' after being put on prepayment meters.<sup>t</sup>

Self-disconnection is defined as interruption to electricity or gas supply by consumers using prepayment meters because the card or key has not been charged and inserted into the meter. An associated issue is self-rationing – when customers either limit energy use to save money, or restrict spend

in other areas to ensure there is enough money to keep the meter topped up. Both self-disconnection and self-rationing can have serious consequences for the health and well-being of consumers.

**"I lost my home and now live in council accommodation. This had both gas and electricity token meters. During the recent hike I now have to find 25p per day on each meter as a standing charge before I start paying for fuel. The energy companies refuse to remove the meters unless I pay £300 each and pay a deposit of £250 on each account. This is impossible in my current financial position."**

Story shared at the Fuel Poverty Action website<sup>u</sup>

**"I know so many people who've got [prepayment] meters, which they can install without even getting permission sometimes. That's the most expensive way of paying; it is absolutely awful. In Ireland and other countries it is the other way round, people on meters get the cheapest rate, not here though. I think it is obscene that thousands of people are dying in their homes in order to make bigger profits for the energy companies."**

Story shared on the False Economy blog<sup>v</sup>

Suppliers are required by their licence to take 'all reasonable steps' to ascertain each individual customer's ability to pay and take this into account when they agree debt repayment arrangements. Obligations also exist to protect vulnerable customers from disconnection in the winter months; members of Energy UK<sup>w</sup> have agreed not to disconnect customers in vulnerable positions at any time of year. There were half as many electricity disconnections and two thirds fewer gas disconnections in 2012 compared to 2011.<sup>x</sup> However, these commitments are meaningless for prepayment customers, as they are forced to self-disconnect when they cannot afford to top-up their meters. The responsibility is removed from suppliers and their disconnection figures go down, but low-income and vulnerable customers are potentially left without power and heating – which can lead to ill health and even death.

Research into prepayment meter users found that households with an income of £13,500 or less were more likely to self-disconnect than households with a greater income. 44% of households that self-disconnected had at least one resident with a long-term health problem or disability. Nearly half of prepayment households that had self-disconnected said that it had a negative effect upon their wellbeing. The biggest impacts were lack of heating and warmth, impaired quality and nutritional value of food, negative effects on leisure and lifestyle, financial stress, and worry and boredom. Length of self-disconnection varied from a few hours to a few days, but being disconnected for more than 24 hours was rare. Households that did disconnect for extended periods of time included residents who were elderly, children or people with long-term health problems or a disability.<sup>y</sup>

Increasing numbers of people cannot afford the energy to use a cooker, and can only heat food using a kettle





### Energy rationing: heat or eat?

During 2010, half of prepayment households (surveyed by Consumer Focus) had self-rationed and taken measures to preserve credit on their meter, or cut back on food or other bills to save money for credit. Nearly half of prepayment households also rationed energy use on an ongoing basis. This was mainly done by turning down the central heating, not using other heaters and turning off electrical appliances. A fifth had reduced spending on food and leisure specifically to pay for meter credit, and 10% had reduced spending or delayed paying other bills.

Prepayment meter users reported the impact of energy rationing as making them colder than they would have liked to be. It also created and exacerbated physical and mental health problems. Some prepayment meter users were mainly relying on microwaveable foods as they were cheaper to heat than other types of food, skipping meals altogether or just having hot drinks to keep themselves going.

**'You get hungry and you starve, but you have got heating.'**

Quote from Consumer Focus report:  
*Prepayment meter users and self-disconnection*

A number of food banks are now providing 'cold boxes' or 'kettle boxes', containing three days' worth of groceries that can be eaten without heating or just adding hot water. The boxes were created in response to clients who had refused or returned basic items such as rice, pasta, tinned tomatoes and baked beans because they had too little credit on their electricity or gas meter to cook, or had been cut off by their energy supplier.

Information from the Trussell Trust demonstrates that people had taken cold boxes for a variety of reasons, including: delayed or stopped benefits; becoming homeless and moving into bed and breakfast accommodation; being unable to afford to top up their prepayment meter.

Chris Mould, executive chairman of the Trussell Trust, said kettle boxes were **"another example of how bad things have got"** for low-income families. Nutrition was clearly an issue, but he added: **"If you can't afford to turn the electricity on, then some food is better than no food."**

David Cameron famously advised people to save energy costs by wearing a jumper. But disconnecting their energy and depending on blankets and jumpers can have serious effects on vulnerable people.



Photo from Zacchaeus 2000, zzk.org



# Failed measures

**There are several existing or upcoming policies and systems which could help to tackle fuel poverty. Unfortunately, they are not helping those who need them most.**

## Home heating and insulation schemes

There is currently very little to help the poorest and most vulnerable people through the winter months, since many of the schemes established under the Labour government have been abolished. The discontinuation of the Warm Front scheme means the current administration is the first since the 1970s not to have a government-funded energy efficiency scheme to help fuel-poor households. The coalition government has also abandoned its legal commitment to abolish fuel poverty by 2016.

The two flagship schemes of the coalition government, **Energy Company Obligation (ECO)** and **Green Deal**, have been criticised for failing to help the poorest. The coalition has recently slowed down the roll out of ECO; this move has been heavily criticised, as it is currently the only measure that will help fuel-poor households in the long term through improvements in energy efficiency.

Green Deal provides loans for energy efficiency improvements that are repaid directly through the customer's bill, so that what the customer saves through energy efficiency measures gets paid back as a loan repayment. So far the Green Deal has failed to achieve even 1% of its projected figures, with only 816 households taking out loans in the first year of the scheme, compared to a projected 130,000. The high interest rate on Green Deal loans has been blamed for the poor take-up of the scheme.

ECO requires the Big Six energy companies to provide subsidised energy efficiency measures to

low-income households and properties that are expensive to improve (e.g. solid wall insulation). However, less than half of ECO funds have been set aside for fuel-poor households, with almost 60% of the fund free to be spent wherever it is easiest.

The Fuel Poverty Advisory Group says that the most effective way to tackle fuel poverty in the UK is to improve the energy efficiency of housing stock, but ECO and the Green Deal are currently failing to help those who need it most.

## Smart meters

With the roll-out of **smart meters** by 2020, there is an opportunity to improve things for prepayment customers. Smart meters have the functionality to make it easy to switch between credit and prepayment set-ups (suppliers will be able to remotely switch customer accounts between prepayment and credit), making it easier for customers to switch to standard credit tariffs or to change suppliers. While the improvements that come with smart meters should benefit prepayment customers, Ofgem has warned that it will be harder for suppliers to know whether it is safe and practicable to switch a customer over to prepayment, as they will be able to make the switch without visiting the property. Therefore Ofgem has revised its guidelines on the safe and reasonable practice of installing prepayment meters to account for smart meters; however, this will need to be monitored carefully to ensure the new guidelines are adhered to.



Proper insulation and smart meters could both help to tackle fuel poverty



# What we are calling for

**Church Action on Poverty is inviting Ofgem to meet with us and with some of the prepayment meter customers we work with. We want to discuss what action can be taken to ensure that low-income customers pay Fair Prices for energy.**

- **The Debt Assignment Protocol must be improved.**

At present, it only allows prepayment customers to switch from one prepayment meter supply to another, not to credit. There is so little competition in prepayment tariffs that it is barely worth switching.

- **Ofgem must work with energy companies to ensure that the poorest and most vulnerable customers are not put on prepayment meters, leaving them at risk of self-disconnection.**

- **The roll-out of smart meters must be monitored carefully.**

We must ensure that energy suppliers do not put customers at risk by remotely switching them to prepayment terms without carrying out proper checks.

# Endnotes

- a** The number of fuel-poor households is currently around 3.2 million (affecting 7 million people). The new definition of fuel poverty will reduce this figure to around 2.4 million because the new definition excludes households that spend less than the average on energy to keep warm; many low-income families do precisely this because they cannot afford to cover their true energy costs.
- b** *Fuel Poverty Detailed Tables* (DECC, 2012)
- c** [www.theguardian.com/society/2013/oct/29/uk-child-poverty-cold-damp-homes-finances](http://www.theguardian.com/society/2013/oct/29/uk-child-poverty-cold-damp-homes-finances)
- d** *Behind Cold Doors: The chilling reality for children in poverty*, page 3 (The Children's Society, 2014)
- e** In the UK, 4.5 million households were in fuel poverty (3.2 million in England). *DECC Annual Report on Fuel Poverty Statistics* (DECC, 2013)
- f** The new definition has also been criticised for a number of reasons: affordability is determined by reference to median household expenditure; large numbers of households are no longer classed as fuel-poor, yet still cannot afford their fuel bills; it takes no account of occupancy in considering factors for reasonable energy costs; and Disability Living Allowance (DLA) is included in the income calculation, so it appears that people in receipt of DLA are better off than they are. DLA is for the extra expense that disability entails (transport, care, equipment, etc.); it should not be used to cover energy costs.
- g** [www.fuelpovertyaction.org.uk/speak-out-on-your-situation](http://www.fuelpovertyaction.org.uk/speak-out-on-your-situation)
- h** Poorly insulated properties and sustained low indoor temperatures can lead to cold-related illness and mortality. Cold weather in winter can bring on strokes and heart attacks in vulnerable people. Being cold for even a short period of time can increase the risk, so it is vital that older people are able to keep warm.
- i** [www.ons.gov.uk/ons/rel/subnational-health2/excess-winter-mortality-in-england-and-wales/2012-13--provisional--and2011-12--final--stb-ewm-12-13.html](http://www.ons.gov.uk/ons/rel/subnational-health2/excess-winter-mortality-in-england-and-wales/2012-13--provisional--and2011-12--final--stb-ewm-12-13.html)
- j** [www.ageuk.org.uk/latest-news/rise-in-winter-deaths-revealed-](http://www.ageuk.org.uk/latest-news/rise-in-winter-deaths-revealed-)
- k** [www.theguardian.com/commentisfree/2013/nov/29/energy-big-six-green-crap-voters-not-fooled](http://www.theguardian.com/commentisfree/2013/nov/29/energy-big-six-green-crap-voters-not-fooled)
- l** The Energy and Climate Select Committee have said that the poor and elderly are going without heating after being pushed onto prepayment meters. They claimed that the Big Six energy firms were forcing people onto expensive meters as an alternative to disconnection. Labour MP John Robertson, a member of the Energy and Climate Change select committee, said this often resulted in people being disconnected "by the back door", and he has written to the Big Six to ask for further information on the issue. ([www.mirror.co.uk/news/uk-news/mps-say-big-six-energy-2854660#ixzz2sFqq7ynU](http://www.mirror.co.uk/news/uk-news/mps-say-big-six-energy-2854660#ixzz2sFqq7ynU) and [www.huffingtonpost.co.uk/2013/10/29/energy-firms\\_n\\_4173621.html](http://www.huffingtonpost.co.uk/2013/10/29/energy-firms_n_4173621.html))
- m** A report by Consumer Focus found that annual income in PPM households was markedly lower than in non-PPM households. 25% of PPM households had an annual income of less than £9,500, and 60% had an income below £17,500. *Prepayment meter users and self-disconnection*, page 30 (Consumer Focus, 2010)
- n** *Prepayment meter users and self-disconnection*, pages 26–27 (Consumer Focus, 2010)
- o** [www.theguardian.com/money/2013/apr/20/energy-bills-prepay-meters-cost-poorer-households](http://www.theguardian.com/money/2013/apr/20/energy-bills-prepay-meters-cost-poorer-households)
- p** [www.housing.org.uk/get-involved/past-campaigns/ending-the-prepay-meter-rip-off](http://www.housing.org.uk/get-involved/past-campaigns/ending-the-prepay-meter-rip-off)
- q** How much extra prepayment customers pay depends on which expert you ask. Comparison site Confused.com puts the figure as high as £300 a year, Moneysupermarket just over £200, and uSwitch at about £163.
- r** Customers can use the DAP to switch tariffs if they have less than £500 debt on each meter. In theory customers could have debts of up to £500 on both their gas and electricity meters (up to £1,000 in total) and be allowed to switch through the DAP. However, in 2012 the DAP only helped 248 customers to switch, and 4,079 were refused even though they were not in debt. It is unlikely that customers with debt on two meters would be allowed to switch.
- s** Ofgem tried to improve the DAP procedures in 2012. The big six energy suppliers agreed to increase the debt limit from £200 to £500 (as of 1 November 2012), and smaller suppliers adopted this threshold from 1 April 2013. Ofgem expects these changes to improve the number of people switching in 2013, and will report on this next year.
- t** [www.mirror.co.uk/news/uk-news/mps-say-big-six-energy-2854660](http://www.mirror.co.uk/news/uk-news/mps-say-big-six-energy-2854660)
- u** <http://fuelpovertyaction.org.uk/speak-out-on-your-situation>
- v** [falseeconomy.org.uk/blog/fuel-poverty](http://falseeconomy.org.uk/blog/fuel-poverty)
- w** Energy UK is the trade association for the energy industry. Energy UK has over 80 companies as members that together cover the broad range of energy providers and suppliers and include companies of all sizes working in all forms of gas and electricity supply and energy networks. All members of the big six have agreed to this.
- x** *Domestic Suppliers Social Obligations: 2012 annual report* (Ofgem, 2012)
- y** *Prepayment meter users and self-disconnection*, page 8 (Consumer Focus, 2010)
- z** [www.theguardian.com/society/2014/jan/20/food-bank-kettle-boxes-trussell-trust](http://www.theguardian.com/society/2014/jan/20/food-bank-kettle-boxes-trussell-trust)



# About us



**Church Action  
on Poverty**

The gap between rich and poor in the UK is greater now than at any time in the past 50 years. The UK is one of the most unequal countries in the industrialised world.

With support from many national Christian denominations and agencies, Church Action on Poverty is campaigning for changes which would Close the Gap and build a more equal society. Happier. Healthier. Safer. Fairer.

One result of the unjust division in our society is a 'Price Gap'. People on low incomes pay more for many everyday goods and services such as food, fuel and finance. This 'Poverty Premium' costs the average low-income family £1,300 a year.

We invite anyone concerned about these injustices to work with us to Close the Gap. Visit [www.church-poverty.org.uk](http://www.church-poverty.org.uk) to find out how you can become part of the campaign by Giving, Acting or Praying.



We supply gas and electricity throughout Britain and charge our customers the same rate, regardless of payment method, usage or whether you take one, or both, services from us. Also, we don't have a standing charge so you know you will only be paying for what you use. Ebico might be a unique energy provider, but we're not new! We have been trading for over 10 years, making a genuine difference to low-income households.

Energy suppliers give discounts to customers who pay by Direct Debit, but charge a higher rate to customers who use prepayment meters. We feel this is unfair and wrong! The majority of households using prepayment meters are on a low income and yet these high rates are pushing more and more low income households into fuel poverty. We charge one flat rate to all, creating a fair, competitive, price for all customers and great savings, in particular for prepayment customers. Find out more – or switch your own supply to Ebico – at [www.ebico.org.uk](http://www.ebico.org.uk)



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