

Show Some Warmth

Exposing the
damaging impact
of energy debt
on children

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**The
Children's
Society**

By Natalie Williams, Dr Sarah Royston,
David Ayre and Dr Sam Royston

The Debt Trap

End the damage to children



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Methodology

The findings in this report come from original analysis of data from three sources:

1. A representative survey of around 2,500 UK families with dependent children, conducted by Research Now. The survey gathered information from both a parent and a child (aged 10-17) in the household.
2. Interviews with eight families in energy debt, conducted by The Children's Society. Each of the interviews were held with both a parent and a child in the household.
3. Original analysis of the latest official statistics from the English Housing Survey (2012).

Acknowledgments

We are grateful to the Association for the Conservation of Energy (ACE) for carrying out the research for this report, as well as Sorcha Mahony and Dorothea Muller at The Children's Society for interviewing the children and families and Research Now for undertaking the survey. Special thanks go to the children and families who took part in this research – the personal insights you shared have been central in shaping these findings. Thanks to other colleagues at The Children's Society who commented, advised and designed the report – Anastasia French, Amy Gibbs, Emma Wilson, Beth Herzfeld and David Pettet.

Chapter 1: Introduction

This winter, two million families – with 3.8 million children – are struggling to pay their energy bills. For more than half of these families (1.3 million), at one point or another, this struggle has become too much and they have fallen behind on their bills. They are caught in a debt trap.



'I struggle to get to sleep because I'm cold.' **Child**

A wide range of factors contribute to families falling into debt. For many families, energy debt¹ is the result of several factors combined – including rises in energy bills, inadequate home energy efficiency and caring for disabled children. Energy debts can be a particular problem for families already struggling to maintain the everyday costs of supporting children.

Our report reveals the range of ways families respond to energy debt and try to manage costs to protect their family. More than half of families who had been in energy debt cut back on their energy use. In some cases this was achieved by families improving the energy efficiency of their home or by switching supplier. However, in many other cases, they had to resort to such stark choices as not giving their children a hot meal, hot bath, or even leaving a child's bedroom cold at night.

Some families cut back on other basic household essentials, with many reducing their spending on food, clothing or other basic needs in order to meet the cost of heating their home.

For many families their energy debt grew as they felt their only option was to take out a loan in order to cover the cost. However, this results in families being drawn deeper into a debt trap.

The impact of energy debt on children's lives

Last year, The Children's Society and the debt charity StepChange revealed for the first time in their report, *The Debt Trap*, how problem debt is having a profound impact on children's lives.

Parents in debt told us through our research that energy bills and treatment by energy companies were a key problem for them. We also learnt of the direct impact energy debt has on children in terms of their basic needs such as keeping warm or eating a hot meal.

We decided to investigate this issue in more detail and this report presents new evidence on the key issues facing families in energy debt who have fallen behind on their gas and electricity payments.

Many families in energy debt cut back on heating their home. As a result, children had to wear extra clothing at night to keep warm, or miss out on hot meals. Evidence shows that this had an impact on children's health, with children in families that have struggled with energy debts considerably more likely to have been ill last winter than other children.

How energy companies treat families in energy debt

We found that many energy companies are failing to follow the rules by using damaging debt practices, leaving family homes cold and damaging children's and parents' health. All too often, families desperately struggling to make ends meet are not getting the opportunity to negotiate affordable repayments, and companies aggressively pursue repayments or fail to monitor the ongoing affordability of repayment plans. This has an impact on parents' health and well-being with many parents in debt telling us they suffered from anxiety, stress or depression.

No child should be made to grow up in a cold, damp home that puts their health at risk because their family can't afford to turn the heating on and is living under the burden of energy debt. Joined up action is needed from Government, regulators and energy companies to achieve this. This report calls on energy companies to show some warmth to families struggling with energy debts and recognise the additional vulnerability that families with children face if they struggle with their energy bills. Together we can end the damaging impact that debt can have on children's lives.

¹ For the purposes of this paper we refer to a family as in energy debt where:
- they received a bill three months ago, or more, and have not yet paid it in full, or
- they missed a direct debit payment three months ago, or more, and have not yet paid it in full, or
- they have a debt on their pre-payment account
- this debt is over £100.

Chapter 2: Uncovering the problem of energy debt



'All of a sudden they landed me with this bill of about £900 ... and I had to really negotiate with them to allow me to put it on a monthly payment because they were saying, "No you need to pay it within three months." **Parent**

1. The scale of the problem for families

Energy bills and families

Energy bills are the biggest financial concern for households in Britain, ahead of mortgages, rent and food costs.² Our analysis of the Government's national housing survey for England – the England Housing Survey (EHS) – found that a shocking two million families, with 3.8 million children, are finding it difficult to pay their energy bills; that is almost one third (29%) of families in England.³

The scale of energy debt

For some families who struggle with their bills, the challenge is simply too great and they end up falling into problem debt. Our research found that nearly one in five families – representing 1.3 million families, with 2.2 million children – have been in energy debt at some point. Our survey revealed that of these, 800,000 children are currently living in families in energy debt. These survey results are backed up by the latest official evidence⁴ which shows that around 6% of customers are in debt or arrears for gas, and the same for electricity.ⁱⁱ For those currently in energy debt, we found the average size of their debt is £431.

Disconnection and pre-payment meters

In the past, it was not unusual for customers in debt to have their electricity or gas supply disconnected. This number has fallen over the last decade, as Ofgem and companies have worked to minimise disconnections, especially for certain vulnerable groups. Ofgem considers vulnerable groups as individuals who are disabled or chronically sick, are of pensionable age, have low incomes, or live in rural areas. However, the most recent data shows an increase; during 2013, 556 electricity and 84 gas customers were disconnected in Britain.⁴

Table 1: Estimated number and proportion of families with children in energy debt (either currently, or at some point in time)

Families in energy debt	Proportion of families	Number of families	Number of children
Currently in energy debt	6%*	0.47 million	0.8 million
Have had an energy debt at some point	17%*	1.3 million	2.2 million
Struggling to pay energy bills (EHS)	29%**	2 million	3.8 million

*n = 2504 **n = 27,483

ⁱThese are figures for accounts that have had a bill issued which remains unpaid for longer than 91 days/13 weeks. ⁱⁱ'In debt' means there is a repayment plan. ⁱⁱⁱ'In arrears' means there is not a repayment plan (this does not include customers that pay a regular bill in arrears, if they are up to date with payments).

Instead of disconnecting customers, most companies now switch those in debt to payment through a pre-payment meter to prevent the further build-up of debt by requiring customers to pay upfront. Our research found that 30% of families have a pre-payment meter in their home. In England, there are now over four million customers on a meter for electricity and over three million for gas; that is around 16% of electricity accounts and 15% of gas accounts.⁴ Nearly half of customers in energy debt now end up on a pre-payment meter.⁵

2. Causes of energy debt

Our research found that the main reason why families with children thought that they got into energy debt was because of increases in energy prices (over

half of families in debt). Over a third of families felt it was due to their using more energy, and just under a third felt it was due to changes in employment and earnings. Other important factors included increases in living costs or unexpected expenses, changes to welfare benefits, and a mistake or problem with the account.

Unsurprisingly, energy debt is linked to overall household income.

Our research found that energy debt is much more prevalent among low income families than other families (figure 2, page 9).

This is backed up by a review by Ofgem,⁶ which found that energy debt was mostly caused by simply 'not having enough money to go round'. As shown in The Debt

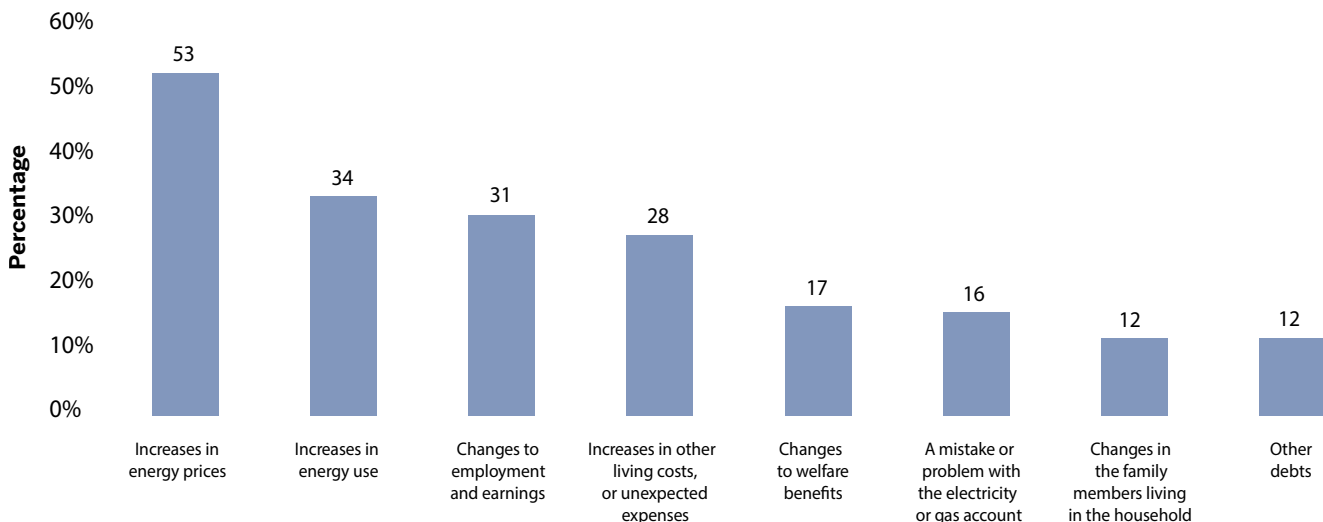
Trap,¹ financial difficulties leading to debt may be a particular problem for families with children, who face a wide range of additional costs, such as childcare and the costs of school, as well as potentially higher energy needs.

Loans and other debts

Families with energy debts often have other outstanding debts, including with credit cards, loans or store cards. A number of the families we interviewed were on debt management plans, paying off their debts in manageable monthly instalments.

'I am on debt management; all my bills are so high I just put them on debt management so I pay £24 a week on that. Just for outstanding bills like old catalogues and mobile phone bills.' **Parent**

Figure 1: Proportion of families who have faced energy debt listing different reasons for getting into energy debt (%)



n = 413

'I don't know whether it was the people that lived there before, because it was a rented house, so I knew the person who moved out and then I moved in, so I don't know whether it had clocked up from then, but it just got to like over £1,000 and then obviously I couldn't afford to pay it.' **Parent**

Many families find themselves in a vicious cycle of debt. Some are more likely to fall into energy debt because they have existing debts that place a strain on their household income. Other families end up getting into debt because they borrow money to cover the cost of their energy bills.

Worryingly, families we interviewed are often unaware that they have the right to negotiate repayment rates on any energy debt. As shown by survey data later in this report, this is made worse by energy companies' often impersonal and aggressive stance (see chapter 4). Rather than helping families find a workable solution, this pushes them deeper into debt as they begin to avoid or ignore the

communications directed at them.

Changes in personal circumstances

Changes in personal and household circumstances are a major factor contributing to families' struggle with energy bills.^{6,7} Losing a job, taking on a lower paid job, or illness – which can place extra strain on the household income – frequently contribute to families getting into energy debt, according to research by Ofgem.

Other changes in personal circumstances include:

- loss of benefits such as Carer's Allowance
- a death in the family and the

associated impacts

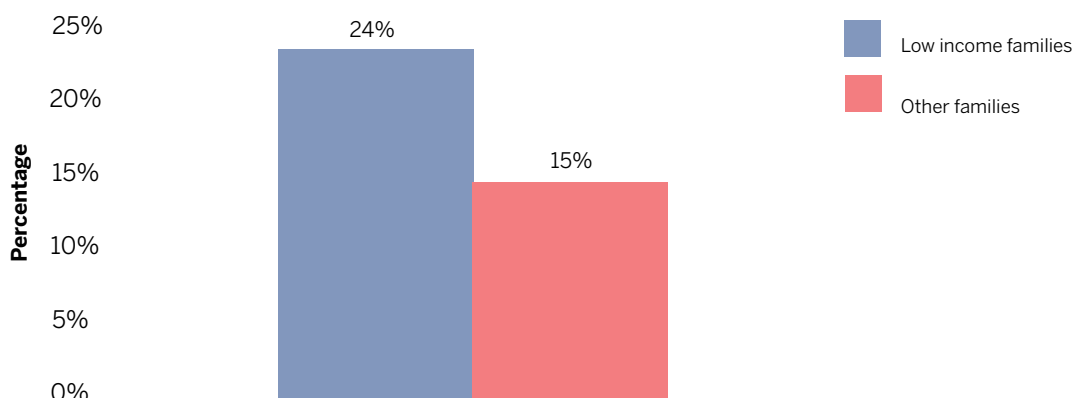
- an ex-spouse leaving unpaid bills and debts
- having a baby.

Some of these personal circumstances have an emotional impact which can lead to people being unable to pay their bills on time, or to additional costs for the household budget. Families with children may be especially vulnerable to some of these changes. For example, parents may reduce their working hours in order to provide childcare, or a child may be ill and need extra heating.

Disability

Our research found a very worrying association between disability and energy debt.

Figure 2: Proportion of families who have had an energy debt, by income level (%) (low income defined as less than £15,000 per annum)



n = 413; p = 0.000

'You pay a weekly fee for [the meter], which I didn't know. Up until a couple of months ago, I was like why does it say I am owing when I am putting money on it?' **Parent**

Families with a disabled adult, or a disabled child, were significantly more likely to be in energy debt.

This problem is illustrated by figures 4a and 4b (see page 11), which show that the difference is especially pronounced for families with a disabled child. A shocking 36% of families with a disabled child are in energy debt, compared to 14% of other families.

Higher than average rates of energy debt for families with disabled children may be related to higher energy use, with families affected by disabilities frequently requiring higher energy use (factors identified as contributing to this include increased laundry use, use of essential equipment and aids which require energy, and that some illnesses and

disabilities lead to people feeling colder, meaning that they require additional heating).²²

High levels of energy debts may also be related to high child poverty rates among families with disabled children, with one piece of research by The Children's Society finding that four in 10 families with disabled children are living in poverty.²³

Payment methods

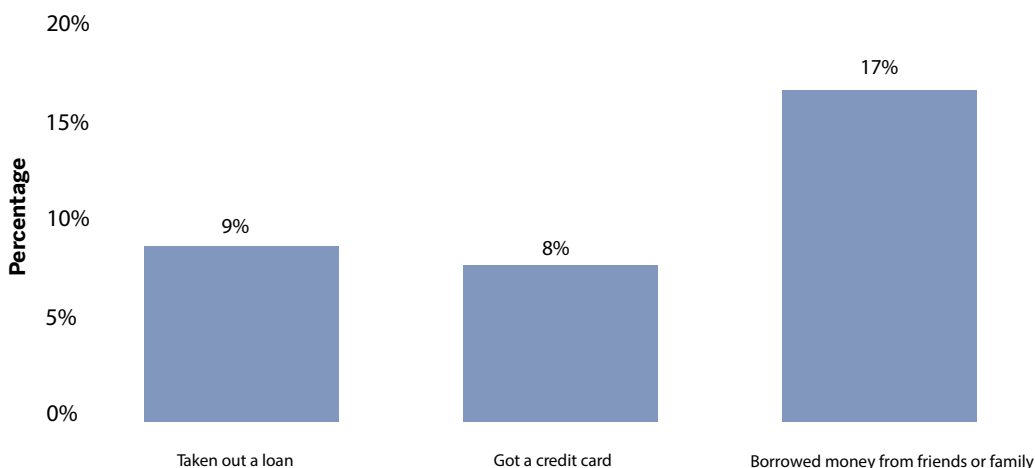
There is a link between being in energy debt and having a pre-payment meter. Our analysis of the English Housing Survey (2012) found that 23% of families with children have at least one pre-payment meter. We found that many of these families are having difficulties with their energy bills:

- 49% of families on a pre-payment meter – 783,000 families with 1.5 million children – are struggling with energy bills. That is compared to 29% of all families struggling with energy bills.
- 19% of families on pre-payment meters – 308,000 families with 500,000 children – cannot afford to keep their home warm. This compares with 8% of all families.

'I think that's probably why I can't save any money now because I've been paying those off, I mean like I said it's £30 for gas a week and then I've just put £25 on today for the electric, it's a lot of money.'

Parent

Figure 3: Proportion of respondents facing energy debt who borrowed money to pay their energy bills.



n = 413

Figure 4a: Proportion of families in energy debt where there is a disabled adult in the home (%)

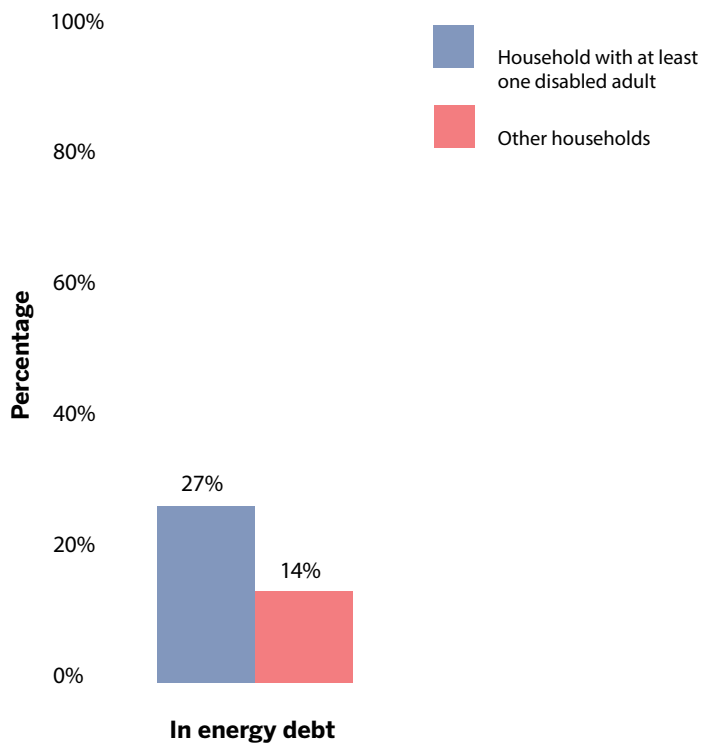
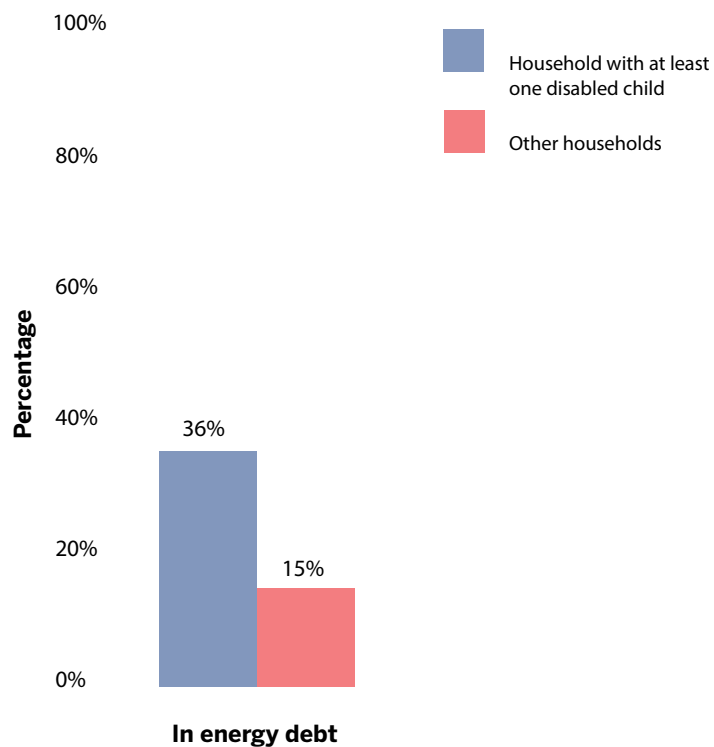


Figure 4b: Proportion of families in energy debt where there is a disabled child in the home (%)



n = 413; p = 0.000

'I am trying to balance a house, three children and my disabled husband because I deal with everything. It is really hard graft.' **Parent**

Figure 5 below combines data from the English Housing Survey with data from our research.

Pre-payment meters are not just a potential contributing factor to debt, but are often installed when a customer is in debt, as described above. Families in rented accommodation also often find that meters are already installed with pre-existing debts on them and are unaware that they can ask the energy company to have them removed.

However, concerns have also been raised about the costs of different payment methods. In the past, customers using pre-payment

meters or paying when they received a bill (standard credit) suffered much higher bills than those paying through direct debit. New rules from 2009 reduced this difference, but customers with pre-payment meters or paying by standard credit still pay around £80 each year more than direct debit customers.⁸

Ofgem have stated that the difference is justified by the different costs of these payment methods. However, there have been a number of calls for these families not to face this surcharge, especially since many vulnerable customers are likely to use these methods.²¹

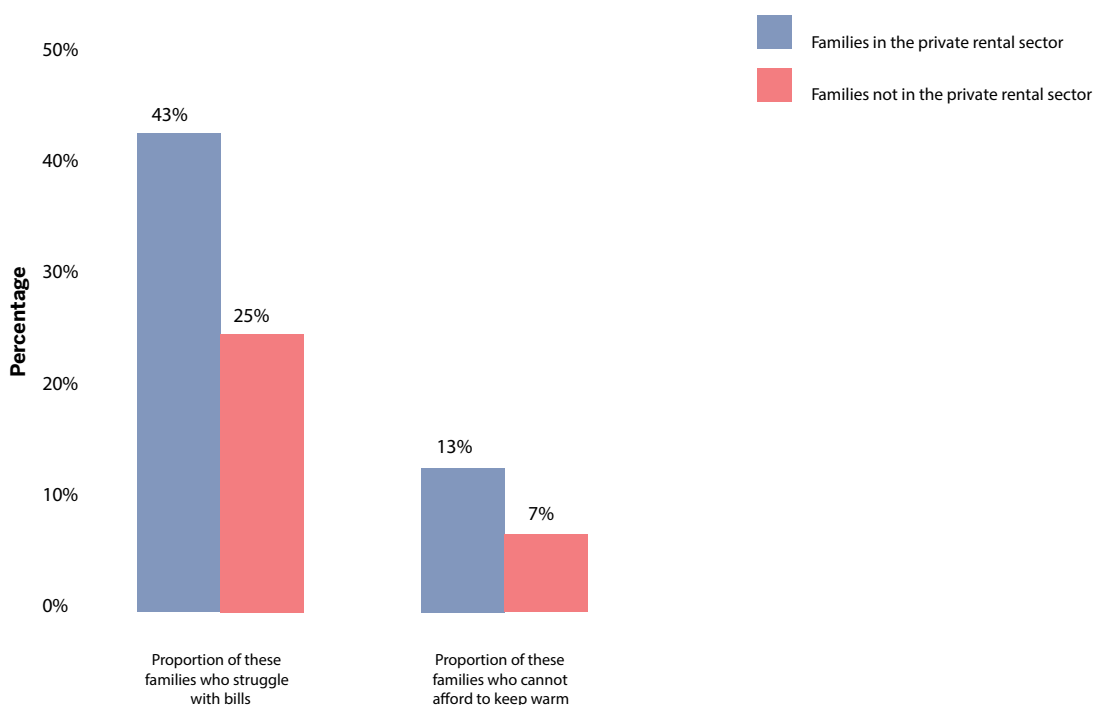
Another issue is the cost of installing or removing a pre-payment meter, which can result in a large charge for customers.

Reducing the costs associated with pre-payment meters, and with standard credit, could help reduce the likelihood of these customers falling into debt.

Private rental sector

We also explored the role of tenure in energy bill problems, using the English Housing Survey. This showed that 23% of families in England are renting their home in the private rental sector. Our analysis found that:

Figure 6: Proportion of families that have trouble with energy bills, in the PRS and other sectors (%)



'There was a debt on the meter because we couldn't afford the bill and then they changed the meter to a pre-paid in the electric and they put the meter in the hallway there because they wanted to move it in the house but they wanted to charge me £2,000.' **Parent**

- 43% of families in the private rental sector – 673,000 families with 1.2 million children – are struggling with energy bills. In comparison, 29% of all families are struggling with energy bills
- 13% of families renting privately – 212,000 families with 356,000 children – cannot afford to keep warm. This compares to 8% for all families.

Given that energy bill problems are so common in the private rental sector, tenure is likely to be a key factor that makes families vulnerable to energy debt. This is

likely to be partly due to the poor quality of private rental housing stock with low energy efficiency and insulation which could lead to higher energy usage and a higher propensity of families getting into debt.

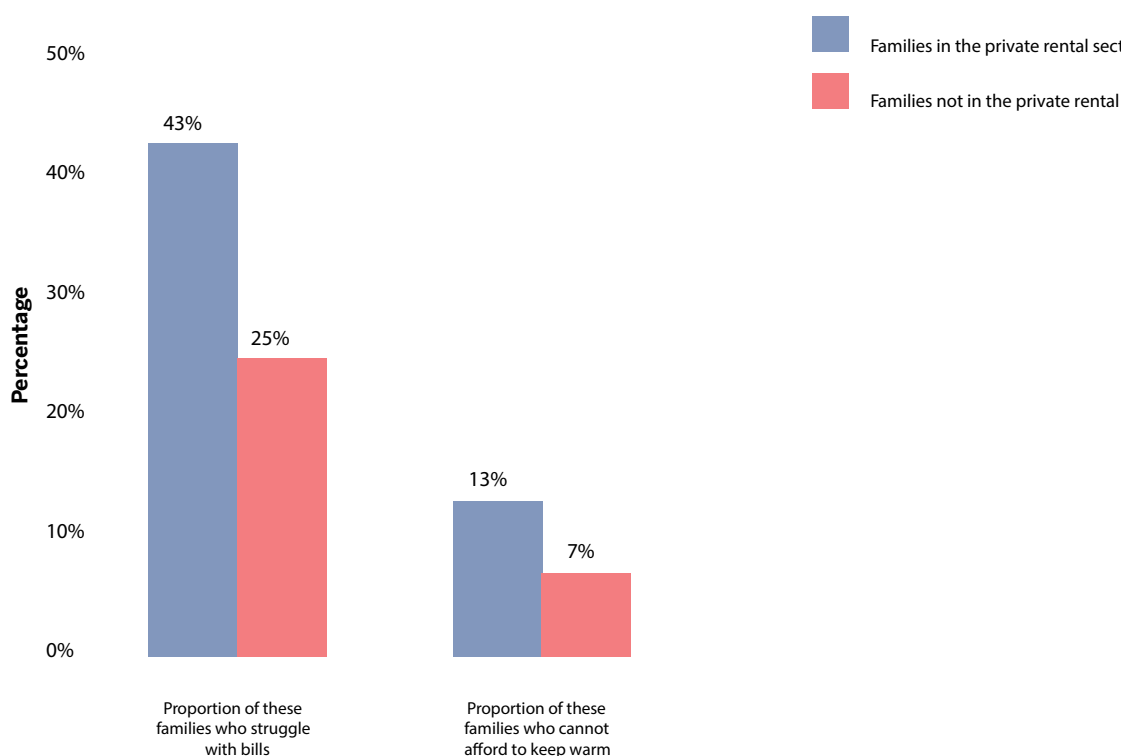
Home efficiency and gas connection

Our research examined the prevalence of loft and wall insulation in relation to energy debt. Figure 7 on page 14 shows that among people with no loft or wall insulation, the rate of energy debt is relatively high.

We also investigated the efficiency of homes, using the

English Housing Survey. We found that 27% of families with children live in inefficient homes (E, F or G rated on their Energy Performance Certificate). Of families who cannot afford to keep warm, 32% are in an inefficient home. That is 184,000 families with 325,000 children. We also investigated energy bill problems among homes that are not connected to the mains gas grid, using the English Housing Survey. Seven per cent of families live in homes not connected to the gas mains. Of these families, 31% are struggling with energy bills – 157,000 families with 255,000 children. (Of all families, the figure is 29%).

Figure 6: Proportion of families who have trouble with energy bills, in the private rental sector and other sectors (%)



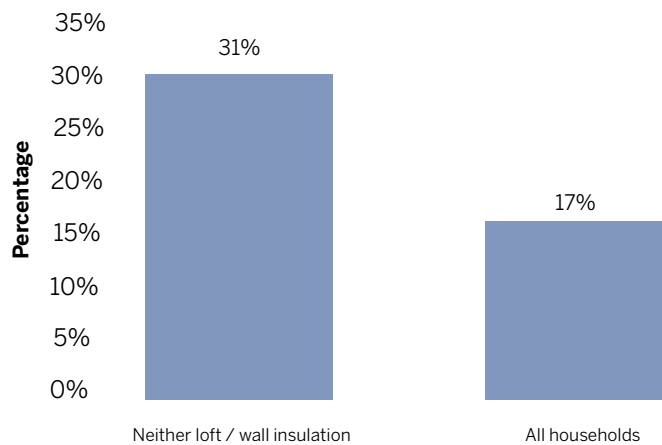
'Well it's an old house. This is a Georgian house so it's really draughty, it's really old. The windows they're really draughty, they're the original windows.... It is so cold in this house. If you run out of gas it takes at least a tenner just to get back through the pipes and warm it all up, it is ridiculous.' **Parent**

Energy supplier error

Energy debt is often caused by errors by companies, for example, non-existent or missing bills, or a build-up of estimated bills.⁷ One study by Ofgem in 2008⁶ found that incorrect billing was a cause of arrears for 20% of respondents and that companies were often reluctant to check their figures and took a long time to respond to queries. Our survey supports this. It found that 16% of families who had been in energy debt attributed it to problems with their energy bills.

According to USwitch,⁹ more than three million households may have been overcharged for their energy last year and Ofgem recently launched an investigation into ScottishPower, revealing that more than 75,000 bills sent to customers were issued late.¹⁰

Figure 7. Proportion of families who live in homes with no wall or loft insulation who have faced energy debt (%)



n = 2504; p = 0.000



Nadia's* story

Nadia lives with her family in a three storey, four bedroom town house. It is a housing association property and really well looked after. She and her family have lived there since it was built in 2001.

Nadia has three children: a 17-year-old-girl, a son who is high functioning autistic and has ADHD, and a 10-year-old daughter. Nadia's husband is in poor health. He has epilepsy and recently had a seizure that caused him to fall and break his leg. He also has haemophilia and a heart problem.

As a result, Nadia has to work hard to balance her life. Everything is made harder by her difficulties to keep up with her bills. 'It's really tight sometimes, really tight', she said. While living at her old property, Nadia changed supplier and paid every month without fail. However, when she moved into her current property and called them to give the meter reading they told her she wasn't with the supplier she thought, but her previous supplier.

She was unable to pay the outstanding balance, so they were put on a pre-payment meter. There is a premium attached to these meters, and now Nadia pays a lot more for the same amount of energy than with bills. She has previously sought advice and help from debt management companies, but none were helpful. 'We've got three children, if something comes up it's got to be paid', said Nadia. Nadia gets financial help from her in-laws, but finds it embarrassing. The family have recently found a family support worker and Nadia is keen that they all go for family therapy.

Nadia has struggled with the stress of the debts. 'We had a rep from one energy company banging down the door saying, "We've got to turn your electricity off"', she said. Nadia and her children felt embarrassed and intimidated. Nadia only accepted the meter because they had no choice. It was only after the installation that Nadia discovered they had to pay a weekly fee to the supplier to cover the cost of installing the meter.

*Not her real name

'You've got someone coming into your own home and laying down the law and to be honest I felt very small, very small.'

Nadia

We found that many energy companies are failing to follow the rules by using damaging debt practices, leaving family homes cold and damaging children's and parents' health.

Four in 10 (40%)
children in families
trapped in energy
debt have found their
bedroom too cold to
sleep at night.

Chapter 3: The damaging impact of energy debt on children and their families

Being in energy debt is leaving family homes cold and damaging the health of both children and parents. Our results reveal that energy debt can have an effect on both children's and parents' health and well-being, resulting in many children becoming ill or too cold to sleep and parents experiencing anxiety and depression. This can have long-term consequences for the whole family.



'Well we've been very good about usage, we put it on and then turn it off and been really trying not to use it unless we have to.' **Parent**

Once in energy debt, families are often placed in an impossible situation between repaying their debts and heating their home, including their children's bedrooms, or missing out on basic necessities such as giving their children a hot meal or bath. The interviews we conducted with families, and our survey with children and families, showed the sacrifices and tough choices families make to keep their children warm, as well as the impact of being cold.

'It's happened before where we've had nights where we've had no

power, like there's been times where we've had no gas, loads of times where we've had no gas.'

Parent

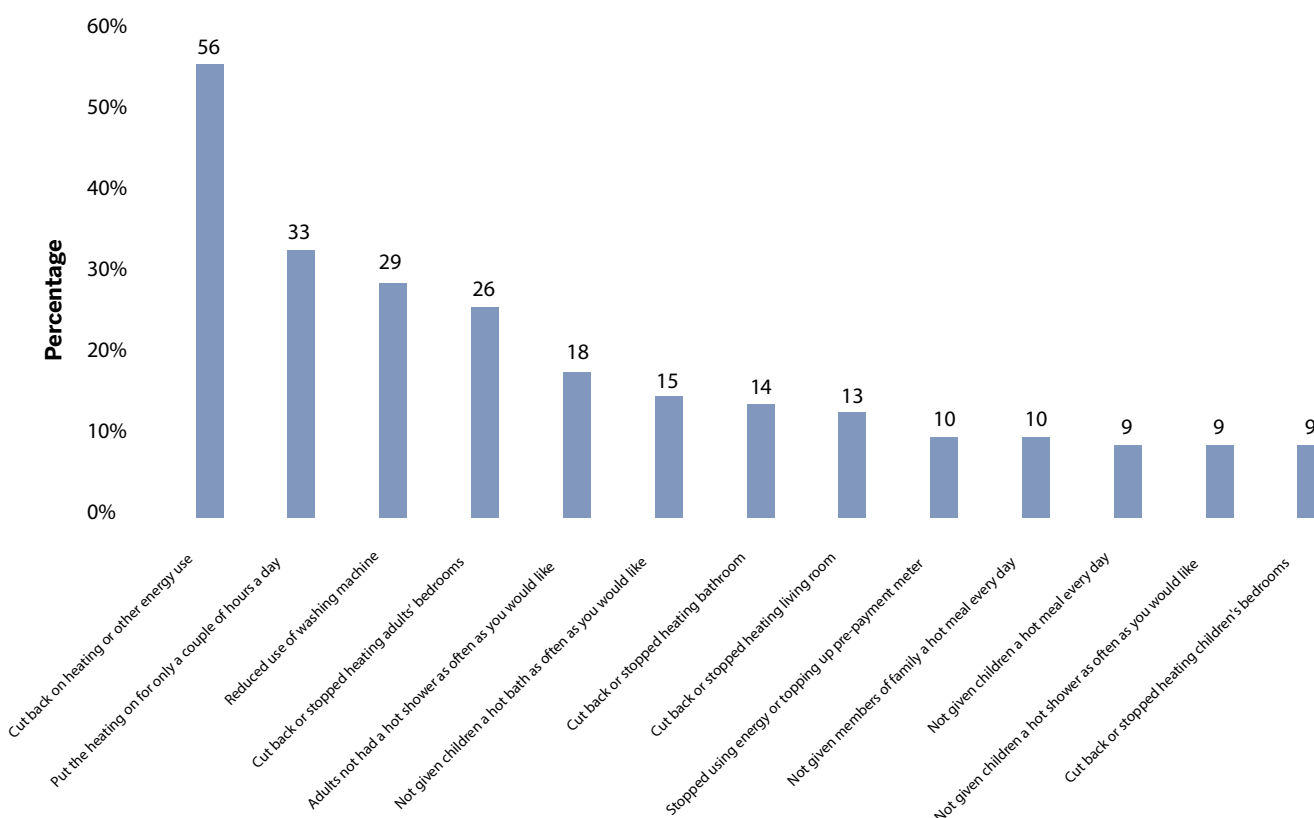
Cutting back on energy use

Our research has shown that families in energy debt respond in different ways to ensure they protect their family while also trying to reduce their debts and energy use. The main step most families take is cutting back on heating or energy use with more than half (56%) of families that we surveyed who had been in energy debt doing this. A third (33%) put the heating on for

only a couple of hours a day and almost one in 10 (10%) disconnect themselves from their pre-payment meter altogether. Most strikingly, in nearly a third (30%) of households surveyed who had been in energy debt, parents had cut back or stopped heating their bedrooms as a result. One in 10 (10%) said that they had had to cut back or stop heating their children's bedroom as well.

In addition, we found that families often made use of energy saving measures and tips, like reducing their use of such essential items

Figure 8: Proportion of families responding to energy debt by cutting back on energy use (%)



'It is actually taking the control out of your hands and other than cancelling, which I've had to do before to cancel the direct debit because I just could not [afford it]. You know it was between food and missing a month.' **Parent**

as the washing machine (28%). We found that parents will often try to minimise the impact on any children in the household by making sacrifices themselves such as not heating their own bedrooms so they can heat their children's.

In the families we spoke to, the whole family played a part in keeping energy costs down. This includes making sure that all appliances are turned off at the socket, and that lights are not on in a room that is not in use. The families we interviewed explained how they are very careful to budget every penny which can be exhausting and stressful.

'Stuff that we're not using, we have to turn it off. We have to turn the switch off what we're not using.' **Parent**

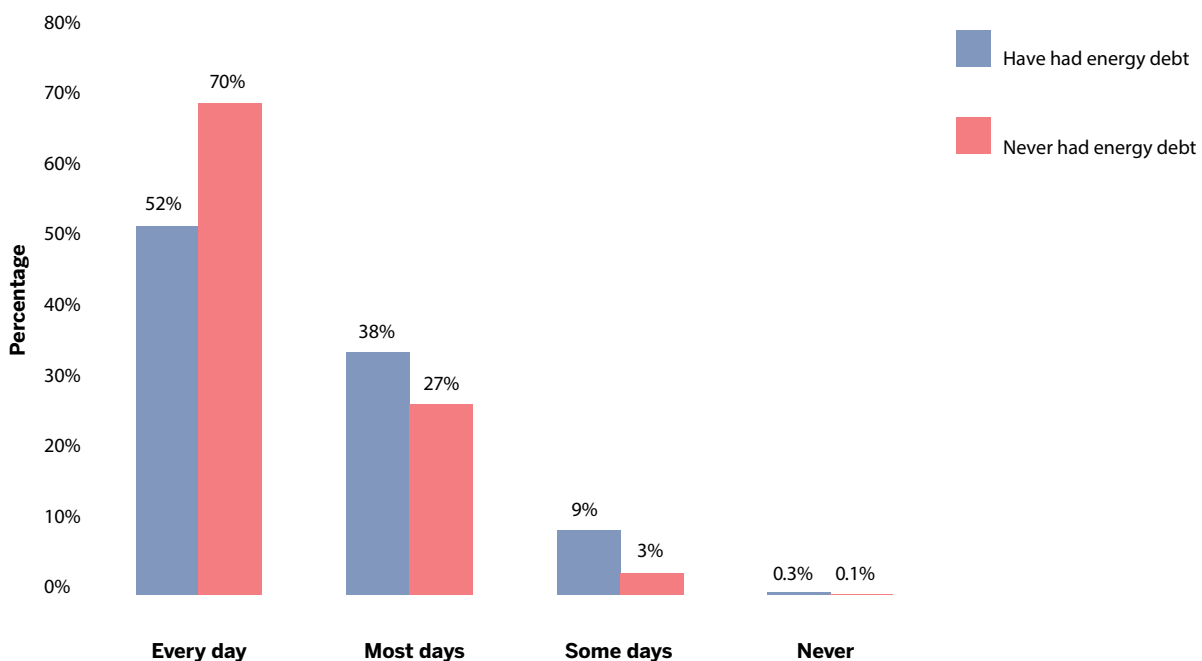
Cutting back on basic needs

For many families, after doing as much as possible to reduce usage, the only option to avoid a cold home was to cut back on other essentials. This presents stark choices such as between heating the family home, having a hot meal and being able to heat water to wash with. Nearly half (48%) of children in families who have been in debt miss out on having a hot meal every day, compared with less than a third of those who have not faced energy debt.

Of the families that we surveyed who have faced energy debt, over one in five (20%) have cut spending on food as a result, with nearly a third (30%) cutting back on buying clothes for the family, and 15% saying they could not give their children a hot bath as often as they'd like.

Struggling with energy costs can also have an impact on children's ability to engage in normal social activities. Figure 11 on page 23 shows that children in families in energy debt are one and a half times less likely to have trips or regular days out with their family. They were also considerably less likely to have money they can

Figure 9: Frequency of families cooking a hot meal every week (%) – children's responses



n = 1958; p = 0.000

save. Children in families who have faced energy debt are nearly 20% less likely to have a family car and the right kind of clothes to fit in with other young people the same age.

'I think generally when it's been really hard, which was when I was a lot younger, she cut back on a lot of stuff, like a lot of luxuries, like we didn't go out at all, like we didn't go on holiday and things like that, because she just couldn't afford it.' **Child**

The parents we spoke to described the financial and emotional cost of the decisions they had to make in these circumstances. They told us they are trying hard to make sure that their children have nutritious food, can keep clean, and have clean clothes that fit. These decisions and actions have an impact on their ability to keep up with household bills and can make it difficult to afford repayments on debts.

Children in cold homes

Worryingly, four in 10 (40%) children in families who have faced energy debt told us that their room is sometimes or always too cold to sleep at night.

Many of these children also faced problems with other energy-related essentials, such as having consistent access to warm water and their family being able to cook hot meals.

Tania's* story

Tania lives with her four children who are nine, 12, 14 and 16. She sleeps in the living room; her eldest sons have a room each, but the youngest two share.

Tania finds it incredibly tough to live on the benefits she gets as a single parent compared to what she received before the breakdown of her long-term relationship. The household income has been cut by £77 a week as a result. Tania has a sister living across the road and a few really good friends, who she borrows money from and relies on for things like accompanying her to and from the hospital.

Her energy debt problems started when she received an electricity bill for £900, which the electricity company then put up to £1,500 because they charged her to install a pre-payment meter. It took her 18 months for her to clear the debt.

Tania is also on a pre-payment meter for her gas. She still owes £865, which she'll pay off by 2017. Tania feels that her energy company has been really understanding by giving her a couple of months' leeway and dropping the weekly debt repayment amount from £7 to £4 for a limited time.

Tania's house has no insulation or double glazing, which means that the house is often very cold.

'Thank God for onesies that's all I can say. It can get so cold that when the heating isn't on you can see your breath.'

Another effect of the energy debt has been stress. Tania has also had to stop buying fresh vegetables for her family and buy frozen instead and think about cutting down on their fruit intake. The children were used to having new shoes when they needed them, nutritious food every day and a bit of pocket money to spend, and Tania has found it hard to cut back on these items.

*Not her real name

'I think generally when it's been really hard, which was when I was a lot younger, she cut back on a lot of stuff, like a lot of luxuries, like we didn't go out at all, like we didn't go on holiday and things like that, because she just couldn't afford that.' **Child**

'We just like deal with it and we just like boil kettles to have baths and things like that' **Child**

Two thirds of children in families with an energy debt said their home is always or sometimes too cold in winter. This amounts to more than double the proportion of families not in debt.

Children in households in energy debt are twice as likely to wear extra clothes to sleep in during the winter compared to children not in energy debt. Two thirds use extra bedding or blankets.

Our research found that cold homes are often linked to the age and quality of housing stock that is prevalent in the UK, combined with poor insulation which often leads to poor energy efficiency.

Both children and parents made frequent reference to sash or single glazed windows, or living in accommodation with a low energy efficiency rating, which makes the cost of heating the home higher, and can perpetuate the cycle of indebtedness that families face. Families with damp, draughty or mouldy homes are also far more likely to have had energy debt than other families.

Health and social impacts on children and families

Other research has shown that families facing energy debt are associated with a higher likelihood of children becoming unwell in the winter. Our research showed that a third of children whose family had faced energy debt said they were unwell 'all the time' or 'sometimes' last winter,

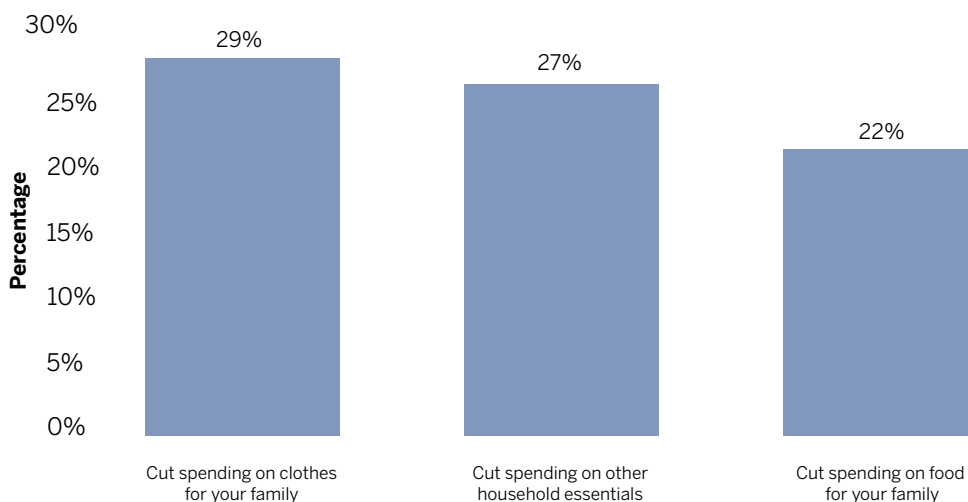
compared to just over one in 10 children whose families had never had energy debt.

Parents themselves saw the impact of this on their children. One in five (19%) of those we surveyed who have faced energy debt said that their children have suffered health problems related to living in a cold home as a result of this.

'My little girl she's been constantly ill because it's been that cold in this flat.' **Parent**

Most worryingly, we found that over 70,000 children with breathing problems are in families that struggle with their energy bills, according to our analysis of children's health problems using the English Housing Survey.

Figure 10: Families who have faced energy debt cutting back on basic essentials (%)



n = 413

'I mean I love my house, I think it's really nice but it's freezing cold and it's so expensive to put the gas on. You have to like, I've got my dressing gown on now as you can see.' **Child**

Figure 17 on page 28 shows how many children are suffering from a range of conditions, and are living in a cold home or a household that struggles with energy bills.

There is a statistically significant link between children's breathing problems and not being able to keep the home warm. Our analysis of the English Housing Survey found that over 20,000 children with breathing problems live in homes that cannot be kept warm due to the cost, making them nearly twice as likely as

other children to suffer these conditions. This supports previous research that has found children's respiratory conditions are associated with fuel poverty and cold homes.¹¹

Effects on parental mental health and well-being

Research has shown that parents find it highly stressful being in debt, with their health often suffering as a result. They are faced with constant difficult decisions for their family regarding other essentials, including hot meals and the ability

to afford leisure activities. This is often coupled with strong feelings of guilt from the parents, who do not wish to deny their children the things which their peers enjoy.

In turn, this can create a tense home environment, with arguments around topping up meters and turning off lights and appliances being the most frequently reported instances in our interviews and survey. A common theme was how easily the little things can lead to arguments, which place a strain on the family as a whole.

Figure 11: Ability to afford other essentials such as travel, savings or day trips with the family (%)

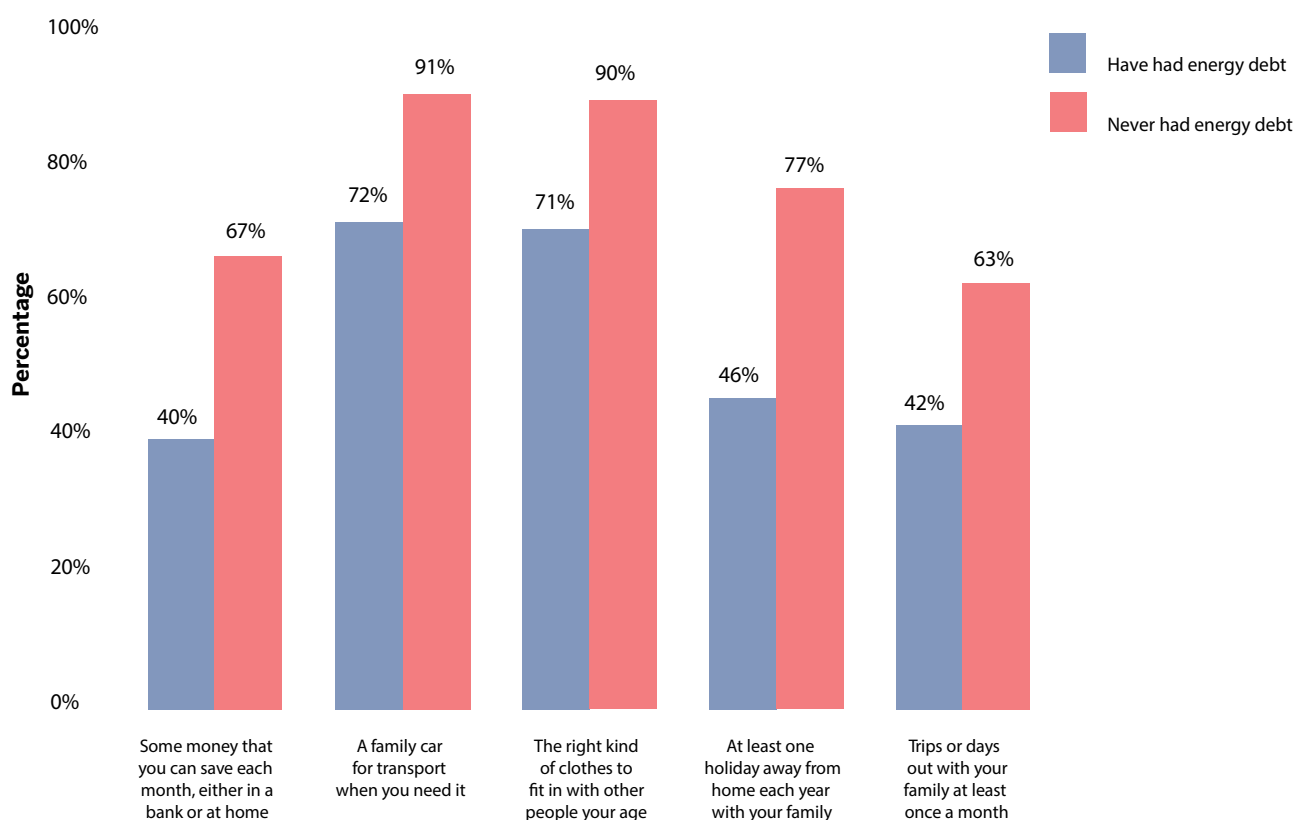
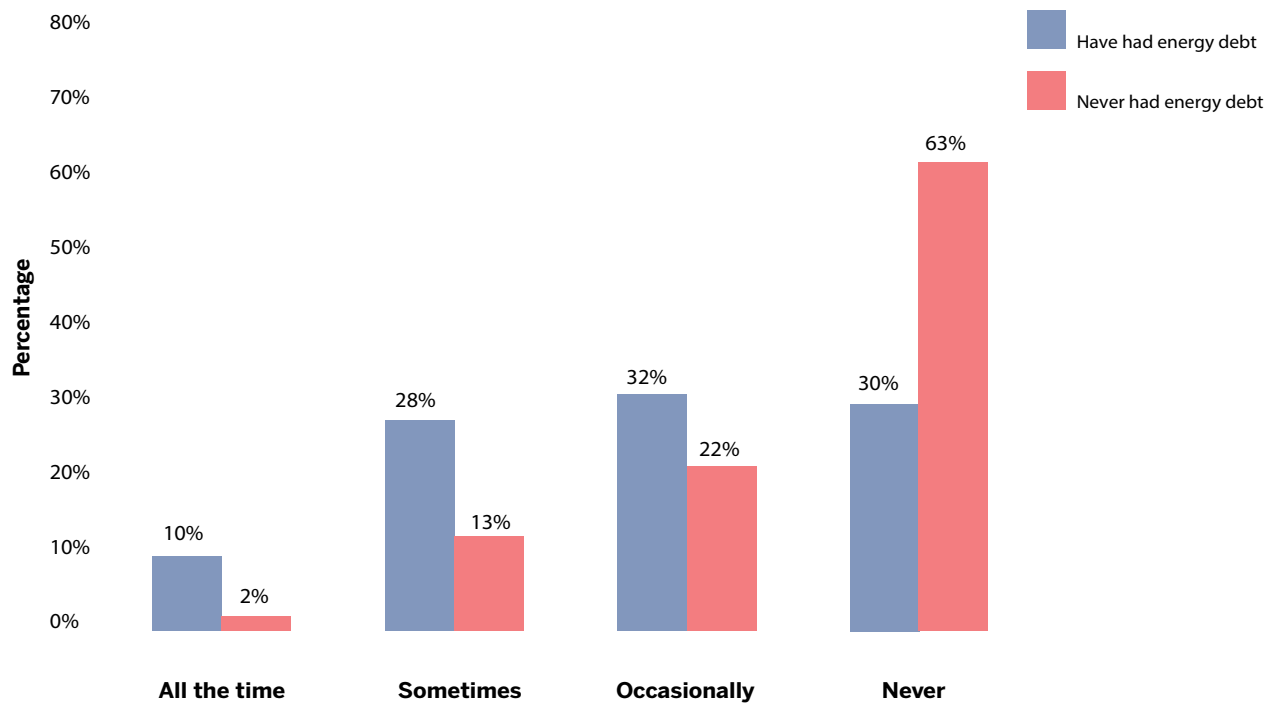


Figure 12: Proportion of children who have found it too cold in their room to sleep at night (%)



n = 1791; p = 0.000

Figure 13: Proportion of children in families who reported that their homes are too cold (%)

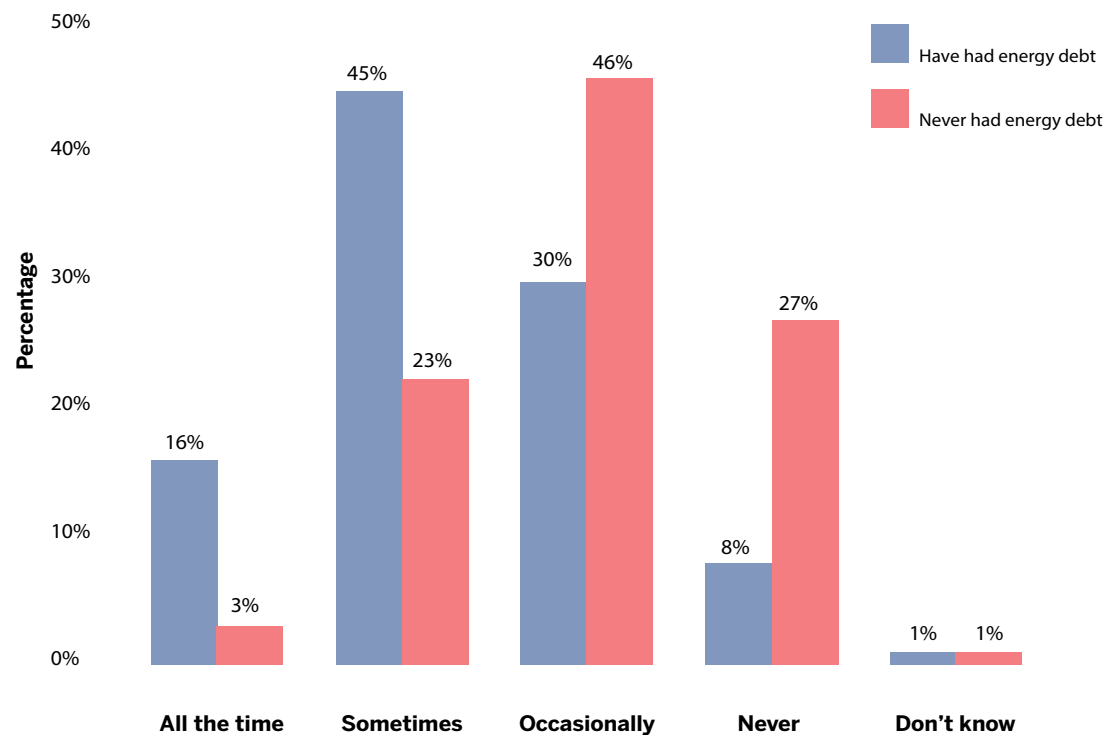
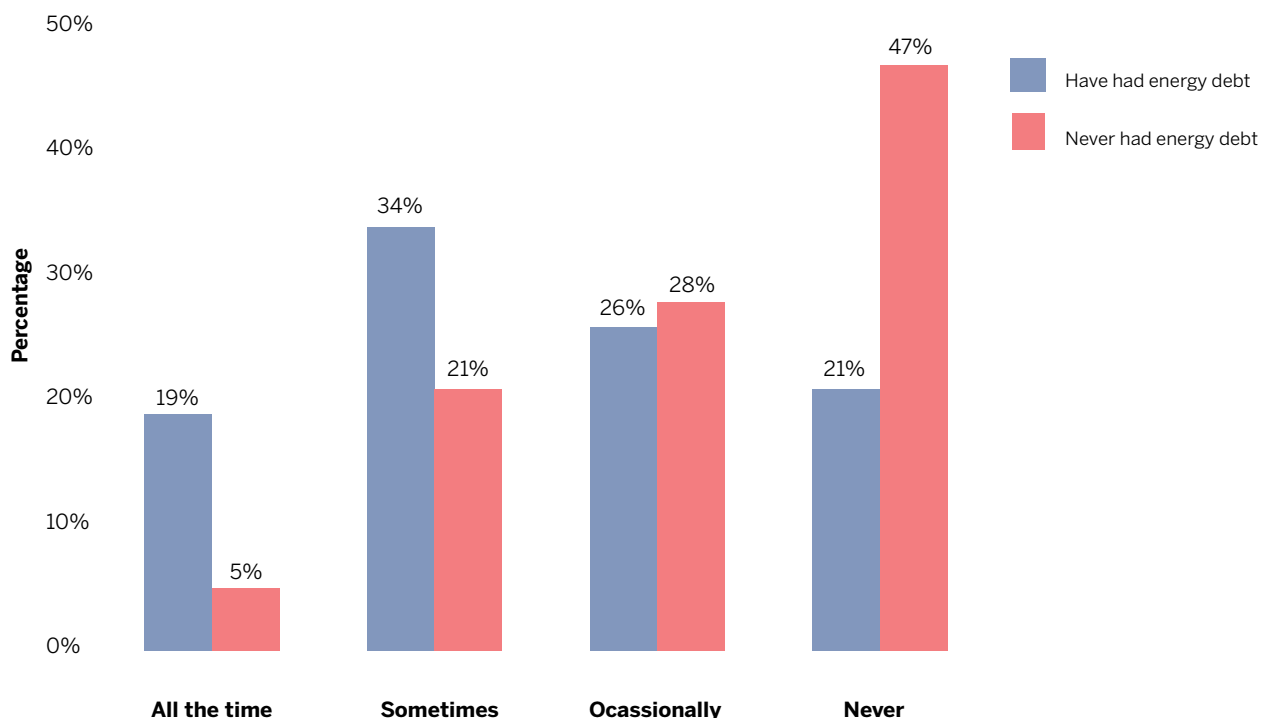
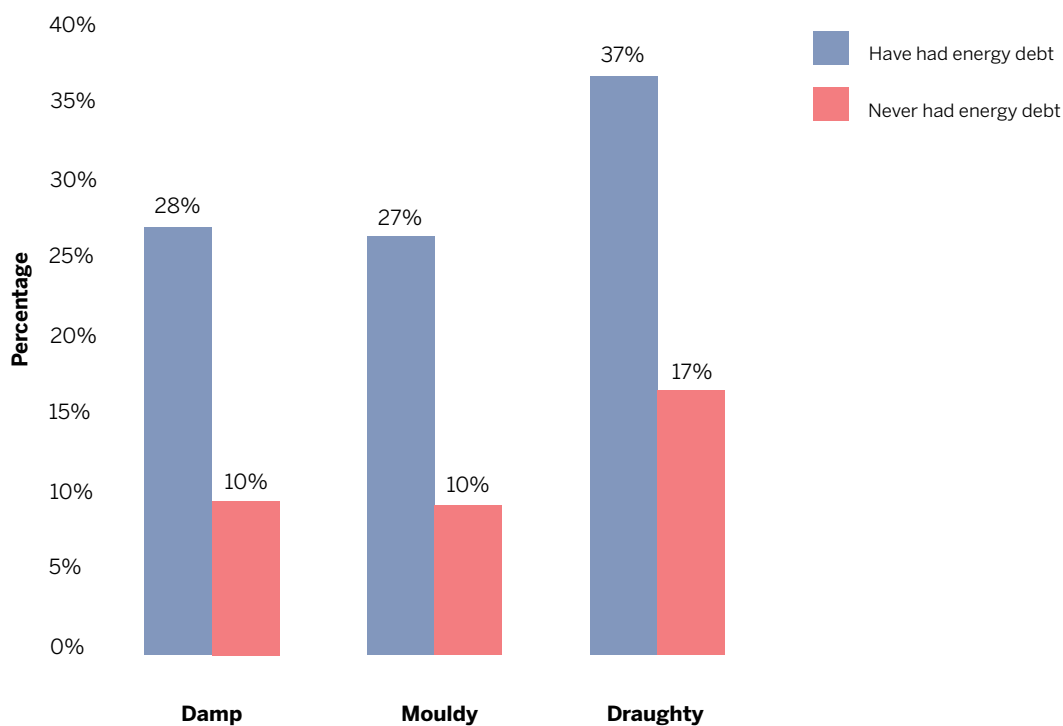


Figure 14: Proportion of children who have had to wear extra clothes in bed because their room is too cold at night (%)



n = 1915; p = 0.000

Figure 15: Proportion of children reporting that their homes are damp, mouldy or draughty (%)



n = 1958; p = 0.000 (in all cases)

'This was a really difficult chapter in my life. Finding the money to stop the gas and electricity from being cut off is a constant worry for me.' **Parent**

Parents told us they often worry about the need to reduce children's pocket money or the fact that they have to wait longer for new shoes and clothes, or cannot attend as many after school clubs as they would like.

Over half (54%) of the families that we surveyed who have faced energy debt reported that they have suffered from anxiety, stress or depression as a result of this. Nearly a third (29%) of families who had faced energy debt reported a strain on their family relationships as a consequence.¹² Research by the Mental Health Foundation has found that debt

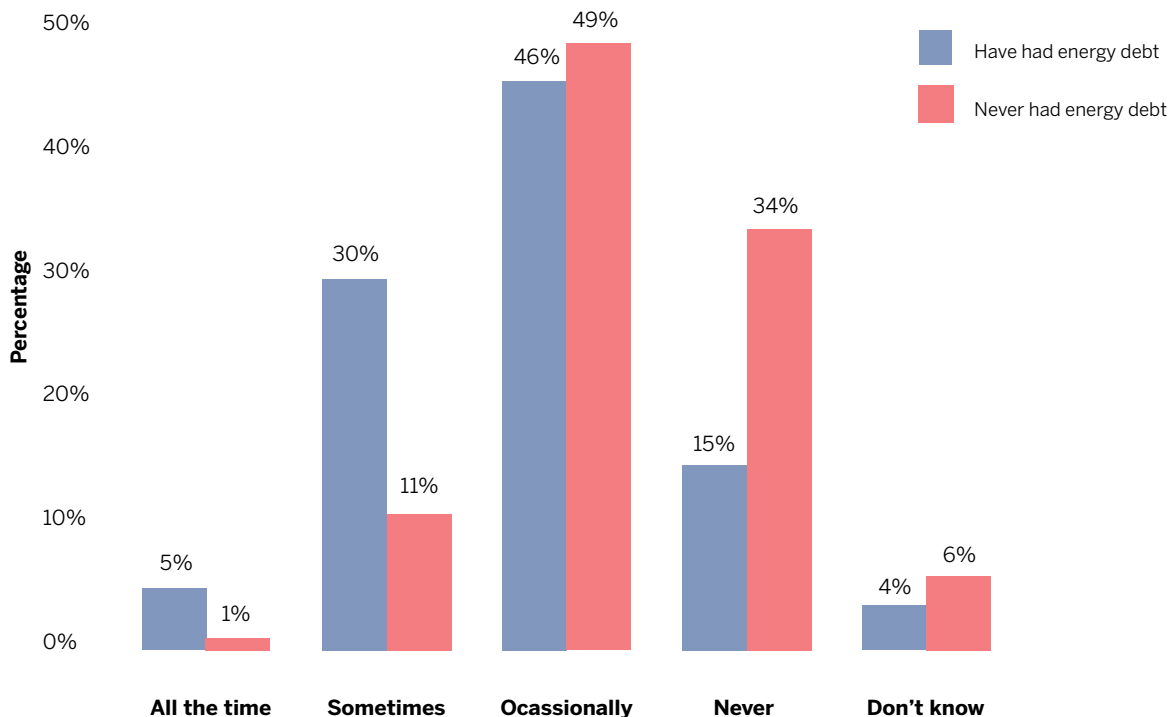
increases the risk of mental illness and this in turn increases the risk of getting into debt¹³. It also found that improved financial capability is associated with improved psychological well-being.

'I think the credit card was worrying me that's why I did the 15 months so I could clear that and just concentrate on gas, electric, food, water rates you know the everyday things and I thought if I can get rid of that for a while, get myself back on my feet by keep paying, because I'm frightened and I've always had it from a small child about not paying my way and bailiffs knock on the door.' **Parent**

Interviews with parents in energy debt revealed a real sense of losing control as a result of debt, of things 'being done to' families rather than it being a two way conversation. This was particularly true where the installation of pre-payment meters was concerned, or repayment rates on any outstanding debts. Families told us this makes them feel trapped and unable to relax, with debt always on their mind.

'Living in a cold home was putting my family's health at risk and I felt I had nowhere to turn to for help.' **Parent**

Figure 16: Frequency of children reporting health problems last winter, by whether or not family had faced energy debt (%)



n = 1994; p = 0.000

Jessica's* story

Jessica is a single mum living in a three bedroom flat with her 16-year-old daughter, 14-year-old son and eight-year-old son. She currently lives on income support. Jessica is a community activist, volunteer and heavily involved in her local parents' forum.

A couple of years ago Jessica had a big bill from her gas company of around £1,000. At the time she was working, paying for childcare and all the other household expenses. As her bills kept mounting, her debt kept rising and the company kept demanding their money. They wrote her numerous letters – she was at a loss as to how she would ever be able to pay her bill. At no point did the company offer her any help, refer her on to any debt advice organisations or tell her where to turn for support, despite its obligations.

Jessica found herself cutting back on things in order to pay for the heating:

'I don't put the heating on when I need it. I end up in the supermarkets or in the coffee shops just to keep warm.'

Jessica

'I don't put the heating on when I need it. I end up in the supermarkets or in the coffee shops just to keep warm. [The staff] tell you to get there before 10 in the morning if you want a seat. Honestly, that's where we all go now – you can't stay at home cos you can't afford to put on the heating on and it's freezing without it.'

This has resulted in stress related issues for Jessica, 'Debt causes stress, which causes anxiety, which causes mental health problems.' Through her community work, Jessica was made aware of services that can help people living with problem debts. As a result, she has been on a debt management course, and has even run a session on debt management at a local community event.

*Not her real name

Children’s understanding of energy debt in the home

Our research shows that children often have a clear understanding of any difficulties that the family faces with energy companies and bills.

This is because of an unrelenting daily ritual of topping up pre-payment meters restricting when children can play on games consoles, or tightly regulating the amount of time that the heating is on every day.

Children are directly affected and influenced by their parents’ attitude and behaviour. Our interviews show that while the children may not have known which energy company their parents used, they knew when there was a debt on the account. Sometimes this was as a direct result of having topped up their pre-payment meter and seen that the amount available was less than that added, or sometimes indirectly, for instance through the reduced amount of time that the heating was on.

We also found from our interviews that children wanted to protect their parents and did not think badly of them for being in debt or want to place more demands on them by asking for more things. Some of the children talked about how they try to help when their parents are stressed. Some would like to do more to help, but are unsure of what to do.

There was even evidence of some children lending their parents small amounts of money to top up their meter, and of them getting jobs so that they do

Figure 17: Number of children suffering from different conditions and living in families who have difficulties with energy bills



'She [mum] doesn't like owing people money. She paid that off but we're going to take it a lot easier this month, this year. Because it was too much to even think about for a whole year knowing that you've got that much to pay off.' **Child**

not have to ask their parents for money to help with the costs of being at home.

'If I have money my mum will borrow some for the electricity.'
Child

Personal resilience and the importance of social networks

Families display a range of different coping mechanisms when it comes to dealing with energy debt. However, our research showed that many demonstrate high levels of personal resilience in the face of serious issues and frequent difficulties in dealing with their energy supplier. Many families told us they try to take control of the situation themselves, principally through changing their energy supplier in an effort

to reduce costs. 17% of families surveyed said they had switched companies in order to lower costs, as a way of responding to energy debt. Others have sought help through debt advice charities.

'It was probably a moment of clarity that I started to think oh god I am in a really deep problem here and it is down to me, and I need to pull it round. So I contacted the debt management company and I said look I am in a real state. We went through the things that they could help me.'
Parent

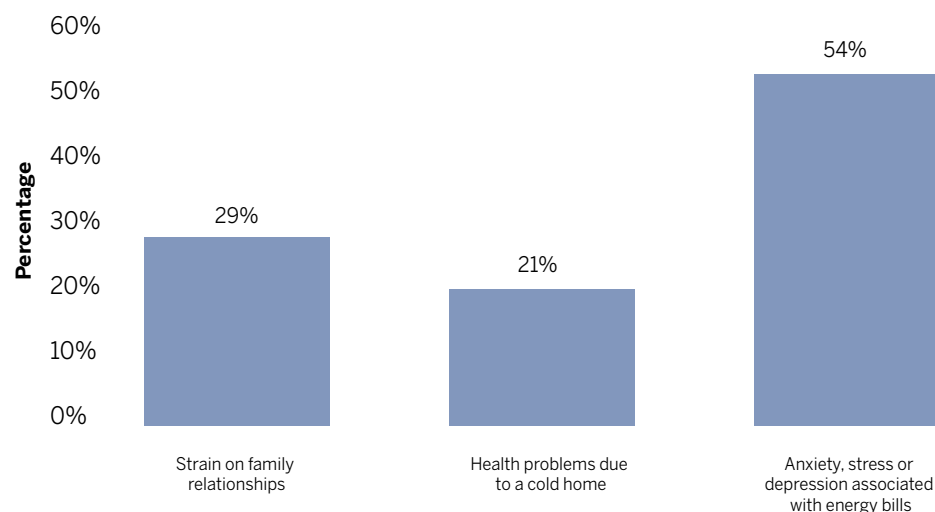
What became clear from our interviews is that families often try to maintain a positive focus, and attempt to see how difficult circumstances can provide a learning curve for children in appreciating the value of money.

'I absorb, I am not a parent that puts my problems on my children. Some parents will sit and cry and I don't cry number one, so that's not a good thing, so therefore they don't see that side.'
Parent

We found that many families in debt also have high levels of social capital and are able to draw upon strong networks of friends and family if they need to borrow money to cover energy bills.

As our research in chapter two reveals, these families are typically in lower economic social groups and work in low paid jobs, which can make it hard to balance incomings and outgoings if a large and unexpected bill arrives. This reciprocal, community model of support can provide some level of insulation from even greater difficulty.

Figure 18: Proportion of parents who had faced energy debts reporting they had suffered from health related issues as a result (%)



Children in households in energy debt are twice as likely to wear extra clothes to sleep in during the winter.

Children in families
in energy debt are
three times more
likely to get ill.

Chapter 4: What are energy companies and Ofgem doing?

The regulator Ofgem and the energy companies all have a key role to play in responding to the needs of families in energy debt, or who risk falling behind on their bills. This chapter gives an overview of approaches currently taken, and highlights areas where further progress could be made.



'Well when somebody knocked on the door I'd think, it's the gas man or the electric man and that's the other thing I'd avoid is the ... you know when they come round to read your meter, I wouldn't open the door, I just kept it locked.' **Parent**

Our research reveals that all energy companies can do more to protect families. Many are not following the rules by using damaging debt practices, leaving family homes cold and harming children's and parents' health. Many families in debt were unhappy with how they were treated by their energy company. A worrying four in 10 families with children told us they were not given the option to negotiate the amount of money they pay back each month, with the same number feeling intimidated by their supplier. With our survey showing that more than half of parents in debt on their energy bills are suffering from anxiety, stress or depression, we are asking all energy companies to

show some warmth and do more to help families in debt.

1. How do companies recover debts?

Figure 19 below provides an overview of the methods that companies typically use to try to recover debts from families with children who have fallen behind with payments. This data shows relatively low levels of disconnection of supply, echoing national data. However, one in 10 of these families has had a pre-payment meter installed at the supplier's request. Notably, one in five said they had received a warning of possible disconnection.

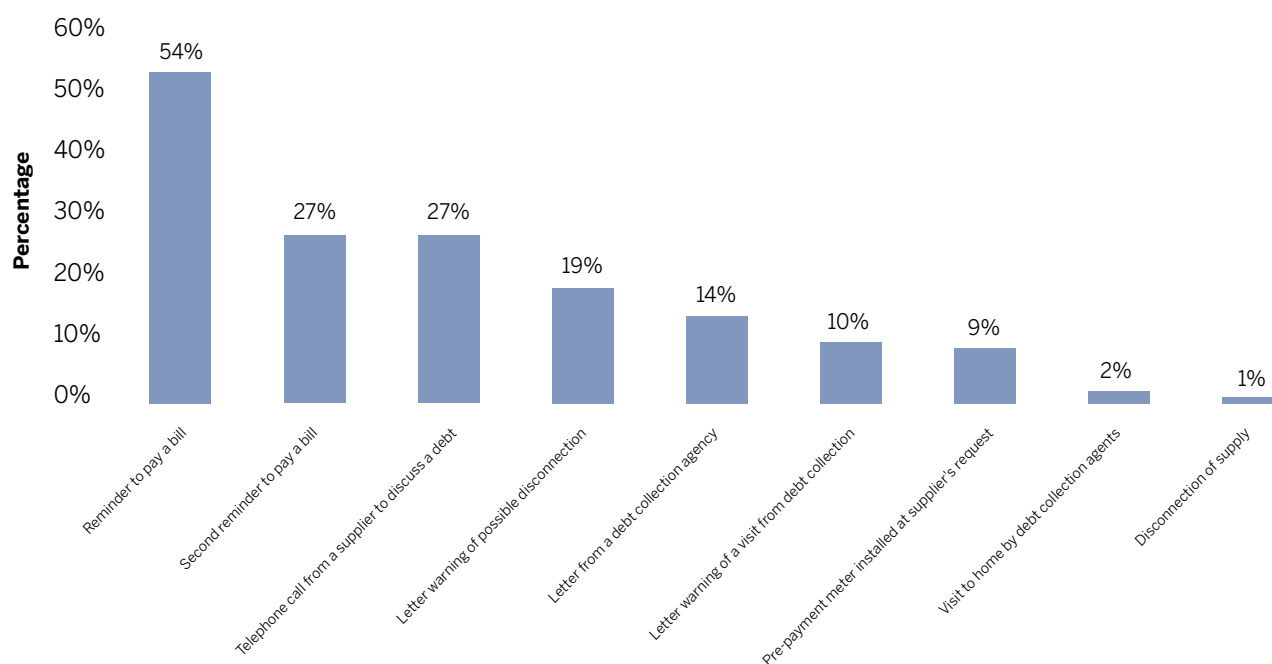
'They were writing to me saying look, you know, you owe this money, you've got to try and keep up with this, because your next bill's going to come in and it's going to impound on the last bill that you already are behind on.'

Parent

2. How do companies engage with families affected by energy debt?

Where families fall into energy debt, Ofgem's license conditions, which are set out in law, state that companies must proactively explore with the consumer what they can afford to pay in terms of debt repayment, and take this into account when calculating instalments.²⁰

Figure 19: Families who have had energy debt: action from energy company over the last five years (%)



n = 413 in all cases

Ofgem also has a set of key principles for companies, including:

- providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this
- making it easier for customers to raise concerns
- making full use of all available information.¹⁹

However, recent research⁵ has found that companies could still do better at gathering details about customers' circumstances when agreeing repayment rates. Just over half of customers were asked about benefit allowances (58%), employment status (51%) and whether there were

any children in the household (50%). Only one third were asked about any health conditions or disabilities, other debts or if there are people aged over 65 in the household. They found that the target-driven culture of call centres often results in agents not taking the time and care to explore each caller's background.

Our research asked parents who have been in energy debt about their experiences. Figure 20 below shows that almost half of parents felt they were not treated in a supportive and respectful way. Many (41%) went further and said they felt intimidated or that the supplier was aggressive, while 40% were not able to negotiate a plan they could afford.

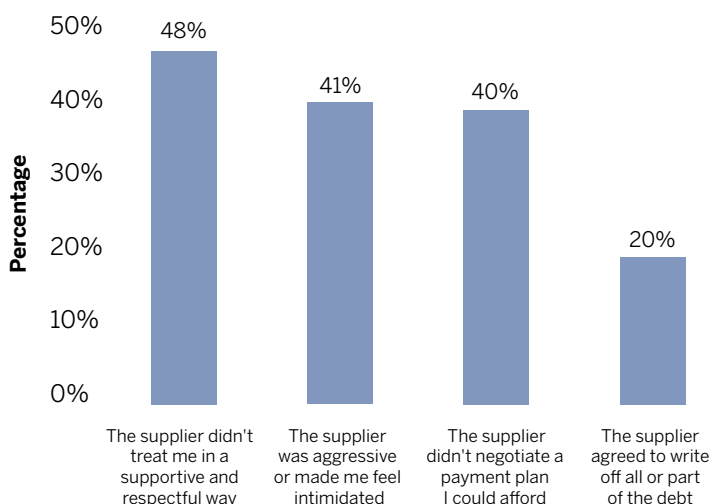
If we break this down by supplier, the evidence from our survey

suggests that npower was particularly likely to be viewed as failing to treat customers in debt supportively and respectfully. Survey respondents indicated poor debt negotiation practice, particularly from npower and British Gas; however, the difference between companies was not statistically significant.

Concerns were raised by survey respondents about the clarity of company communications with families in debt.

We also looked at the data that companies are obliged to publish regarding customer complaints. This indicated that npower has the worst record in terms of the number of complaints around debt. Scottish Power appears to have the lowest level of complaints around debt.²⁴

Figure 20: Experiences of parents who have been in energy debt: proportion agreeing with each statement (%)



n = 413

'I am robbing Peter to pay Paul and it is really hard sometimes because you get late charges and I am trying to explain I don't work, this is how I get paid... well they want you to set up direct debits and I can't.' **Parent**

These findings reflect previous analysis. In 2013, research⁵ found that 62% of customers did not have the opportunity to negotiate either the rate or the method of repayment. Many customers also felt pressured to agree to what the supplier suggested. Nearly a quarter (23 per cent) of those who negotiated said their supplier demanded an amount they could not afford.

'The energy company said that's it now, we want our money back and they wrote letters saying that they are going to disconnect.' **Parent**

Specific concerns that have recently been raised by Ofgem and consumer groups include:

- Companies' incentives mechanisms may lead staff to agree inappropriate payment

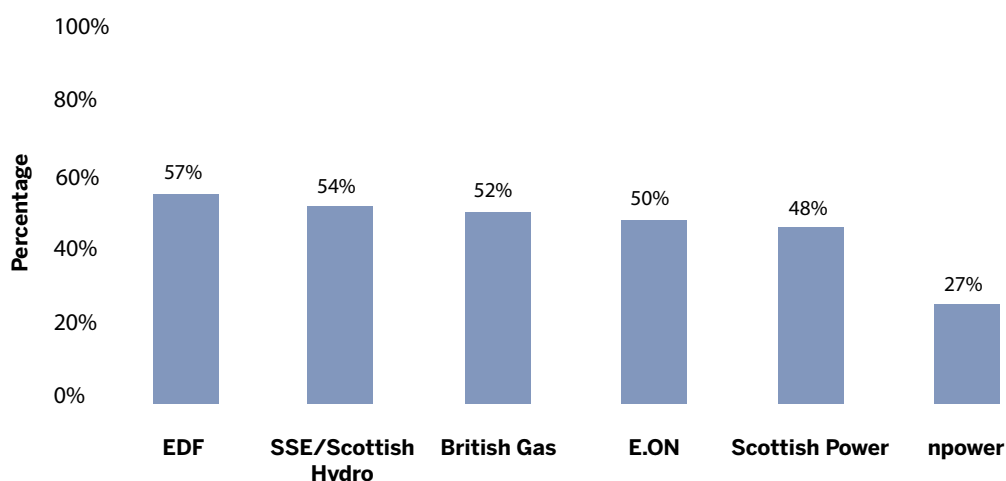
plans or to put customers onto payment methods which are unsuitable. There are often targets in terms of a certain number of calls per hour, or in terms of debt recovery. Scottish Power has removed all debt recovery targets from their customer service agents' objectives and instead focus on the quality of service.

- There is considerable variability in terms of how companies deal with individual customers, including within the same supplier, depending on which member of staff picks up the phone. Some agents offer room for negotiation on repayment amounts and schedules, and others are intransigent. This inconsistency appears across all companies.⁵

- There can be a default position of repaying back debt over a fixed period, regardless of the size of the debt, and an unwillingness by companies to negotiate early on.⁵

It is often expensive to call energy company helplines and customers often have to wait for long periods of time on the phone – this can both put pressure on very tight budgets for families already struggling with their finances, and can even put families off dealing with their debts altogether. A recent survey by Which? found that 11 out of 16 companies answered sales calls faster than customer service calls.¹⁷ It also found that Scottish Power had the longest waiting time to speak to customer services at an average of 30 minutes. It is crucial that it is as easy and cheap as possible

Figure 21: Proportion of parents who have been in energy debt who said their supplier was supportive and respectful, by supplier (%)



n = 269; p = 0.053

'My friend is with one energy company and she's actually changing because the amount of stress they are giving her and she's got four children, she works full time, her and her husband work full time.' **Parent**

for customers to get in touch with their supplier. This means they can take action early if the repayment plan is not affordable.

Companies should offer a telephone helpline, which should be free or very cheap to call, including from a mobile phone.

Repayment amounts and time periods

Ofgem's latest data⁴ shows that average repayment rates for electricity and gas debts are:

- £6.40 and £6.80 per week respectively for pre-payment customers
- £6.20 and £6.80 per week respectively for other customers.

These have all risen since 2012, except for gas pre-payment meter repayments which have been reduced very slightly.

Previously, Ofgem's 2010 review¹⁴ found that the minimum rate on a pre-payment meter installed with the customer's consent is usually around £3 per week, although in exceptional circumstances Scottish Power could make agreements as low as £1. Companies also set a maximum weekly rate which varied between companies from £10 to £25.

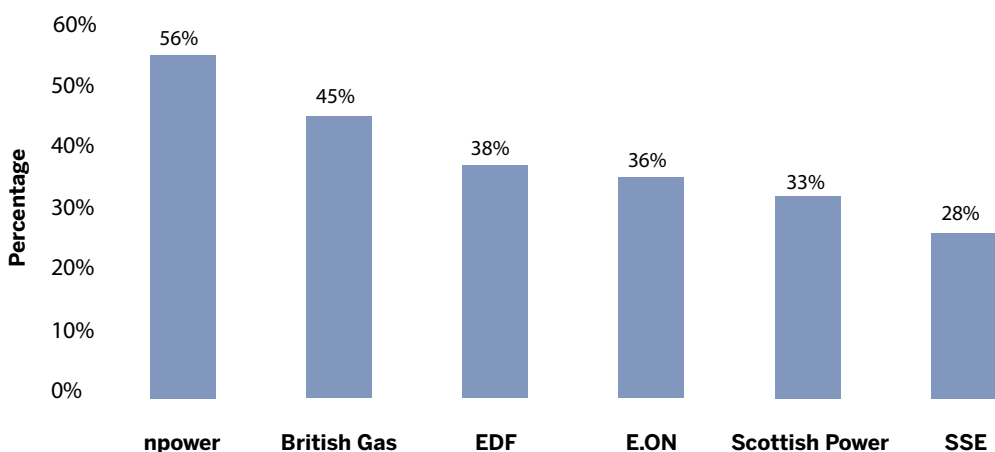
In their latest report on companies' social obligations,⁴ Ofgem say they are concerned that repayment rates appear to be increasing for many customers, and especially concerned about

some smaller companies' high repayment rates.

'The marked differences between the repayment rates agreed by companies suggest that supplier processes and procedures to assess a customer's ability to pay may be influencing the repayment rates they agree with their customers.... If we do not see improvements in supplier processes in 2014 we will consider appropriate action.'

Ofgem have said that companies should avoid using a set repayment amount or time period as an initial basis for repayment discussions. Companies should also avoid setting an initial high repayment rate (in some cases as high as £20 a week) on pre-

Figure 22: Proportion of parents who have been in energy debt who said their supplier did not negotiate a repayment plan they could afford, by supplier (%)



n = 269; p = 0.293 (not statistically significant)

payment meters installed on a warrant visit without the customer present (this is when a pre-payment meter is installed without the customer's consent). They are also concerned about companies not giving customers enough time to repay their debt before they install a pre-payment meter to collect it.¹⁵

According to Ofgem's social obligations report, in 2013, the majority of customers of the six largest companies and Ecotricity were likely to agree an arrangement to repay their debt at less than £6 a week. By contrast, customers of the small companies Spark Energy, First Utility and LoCO2 Energy were most likely to agree to repay their debt at more than £15 a week.

Among the big six, the highest repayment rates were for British Gas and npower⁴.

3. How do companies follow up on repayment plans and monitor self-disconnection?

After agreeing a repayment plan with a family that is struggling with energy bills, there is an ongoing duty of companies to take proactive steps to establish a customer's ability to pay. Ofgem principles and guidance include:

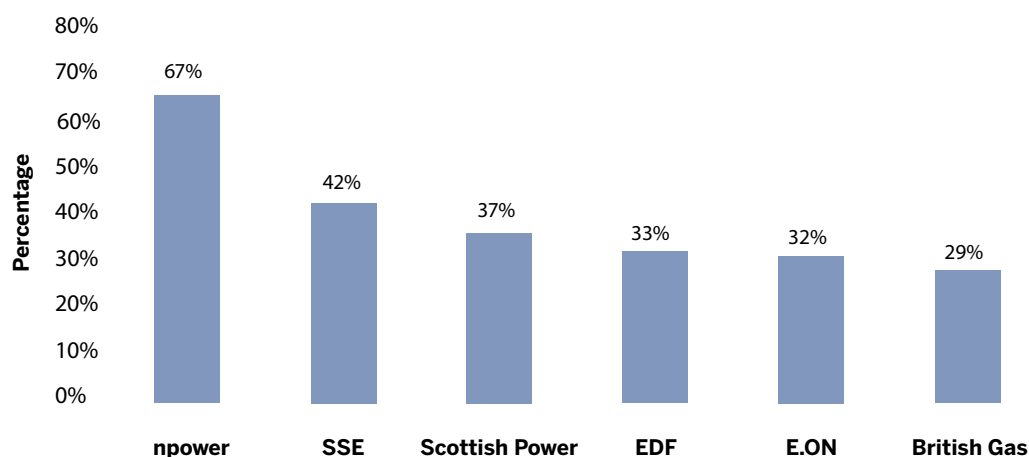
- Individual arrangements must be monitored:
 - for credit customers' broken arrangements
 - for pre-payment meter to check whether it is being

used initially and on an ongoing basis.

- Monitoring of agreed repayment rates across staff using call listening and other techniques to encourage a consistent approach.
- Monitoring of failed arrangements to understand whether inappropriate rates are being set.
- Monitoring of overall repayment rates and recovery periods to understand trends.¹⁹

Best practice includes proactively contacting customers after repayments begin to discuss whether the rates are set at the right level.

Figure 23: Proportion of parents who had been in energy debt, who stated that their supplier didn't communicate in a clear or accessible way



n = 269; p = 0.001

'I'm worried because my mum's in debt. Because I don't even talk to my mum about it, because she doesn't like to worry me, so she doesn't like to tell me really, she just likes to deal with it, or try and deal with it.' **Child**

Companies' performance on follow-up

In a recent study, after the repayment plan was agreed, 78% of customers had no follow-up contact with their supplier beyond the usual bills and correspondence to check if their repayment amounts were affordable and/or whether the method of repayment was appropriate for their needs⁵. However, npower monitors and reviews customers that default on repayment arrangements automatically within its billing system and customers are contacted to establish the cause of the default – this is classed as good practice.¹⁴

Companies' performance on monitoring of self-disconnection

Research for Citizen's Advice last year¹⁶ found that companies only collect very limited information about the frequency of top-ups. Companies are varied in their approach to monitoring accounts where a customer with a pre-

payment meter has not topped up and most will wait a considerable time before acting (90 days if they are not aware of any vulnerability). The exception to this is SSE, which will attempt to make contact after 28 days and if contact is not achieved a visit will be made. Ofgem¹⁴ similarly found that SSE, and also Scottish Power, investigate reasons why pre-payment meter customers are not charging their devices. Most companies will contact customers that they know are vulnerable if there has not been a top-up on the meter after 30 days. British Gas targets monitoring to focus on a) customers known to be vulnerable and b) non-vulnerable customers who are repaying a debt, with weekly tracking of all vulnerable customers' consumption and top-up patterns. The Citizen's Advice research raises some concerns about small companies; many do not have pro-active monitoring plans in place. Among current best practice for

small companies, Green Energy telephones customers if they haven't topped up for two weeks (followed by a letter if there is no answer).

Ofgem¹⁴ has found that companies could do more to monitor whether arrangements for pre-payment meter customers are set at the correct level. For example, companies could monitor not only whether the pre-payment meter card has been charged but also whether the level of the charging has diminished. This could indicate a fall in usage which could suggest the customer is struggling to meet debt repayments. Ofgem notes particular concerns about follow-up when a pre-payment meter is installed by warrant (non-voluntarily).

Leanne's* story

Leanne lives in a two-bedroom flat with her 11-year-old son and seven-year-old daughter, where they have lived for the past year. It is a council flat, and Leanne pays part of the rent and gets some help from housing benefit.

She currently has an outstanding debt of around £1,000 for gas use in her previous home. The debt was accumulated over an extended period of time, but Leanne doesn't remember getting any interim bills or instalment requests from her energy provider. However, when she spoke to her provider to try and deal with the issue they said they had sent her information on how much she owed as the amount was increasing.

In the end, this forced Leanne to move out because she couldn't pay the debt off and she couldn't change supplier without paying the debt, and the gas supplier was threatening to cut her gas supply off. This caused her a great deal of distress and worry at the time, further compounded by the threat of bailiffs or being cut off, but she tried not to worry about how much energy she was using – she did what she had to do to live her daily life and make sure her children could do the same. The debts are still outstanding, and there are difficult choices to be made, but making sure there is sufficient gas, electricity and food for her children is her priority.

This situation has led to Leanne living mostly in the 'emergency zone' with the gas and electricity. Her treatment from energy companies has led her to believe that they don't care.

'It's like the housing before, they didn't care that I was homeless 'cos they had a nice warm house to go home to.'

*Not her real name

'That's how I live, in the debt, in the emergency, constantly. Most of the time, to be fair.'

Leanne

It is often expensive to call energy companies and customers have to wait for long periods of time on the phone –these can both put pressure on very tight budgets for families already struggling with their finances.

Over half (54%) of the families that we surveyed who have faced energy debt reported that they have suffered from anxiety, stress or depression.

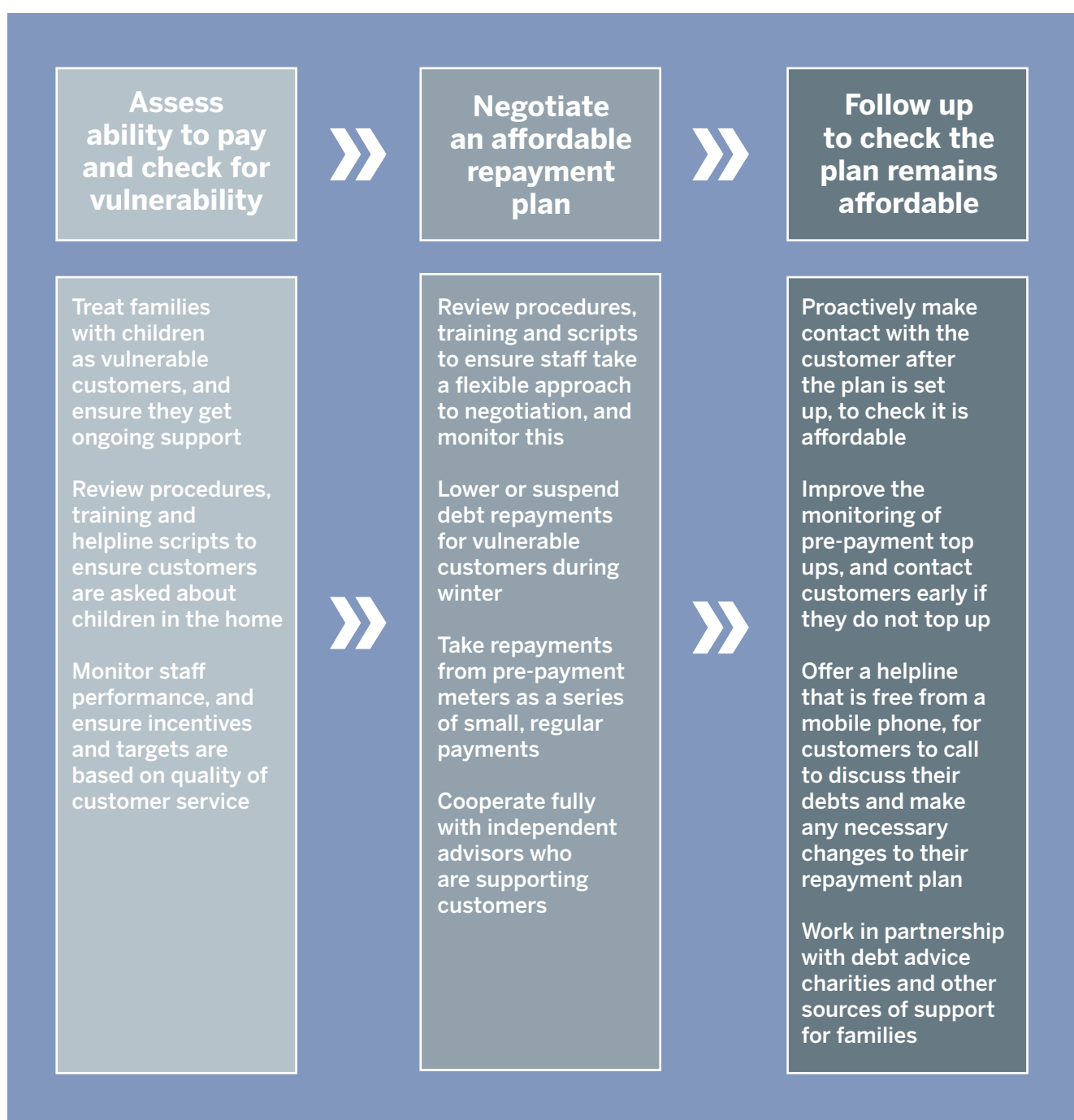
Chapter 5: Recommendations

Concerted action is needed from energy companies, Ofgem and the Government to make sure that children do not suffer as a result of their family struggling with energy debts. This chapter sets out our recommendations for changes needed to better protect children from the impact of debt. The Children's Society is calling for energy companies, Ofgem and the Government to show some warmth towards families struggling with energy debts and end the damage being done to children.



Recommendations to energy companies to shows some warmth

Our recommendations to energy companies are summarised in the chart below:



Recommendations to energy companies

1. Assess ability to pay and check for vulnerability

Our research found that 40% of families who had faced energy debt were not given the opportunity to negotiate a repayment plan they could afford. Past research has also found that companies do not ask enough questions about personal circumstances, including about children in the home. Energy companies should:

1.1. Treat families with children as 'vulnerable customers', and ensure they get ongoing support

Our research found that families with children face particular challenges in keeping up with energy bills, and that the impacts of energy debt can be severe. Around a fifth of parents and children in energy debt experienced health problems due to a cold home. Companies have special procedures for supporting customers they define as vulnerable, but most do not include families in this group. Classing families with children (and particularly those living on a low income) as vulnerable is an important first step, so companies can develop procedures that meet families' needs, including when they are struggling to keep up with bills.

1.2. Review procedures, training and telephone scripts to ensure customers are asked about children in the home

While procedures should be reviewed, it is especially important that staff training and scripts are in line with debt recovery policies to ensure that they are implemented in practice. Past research has found that different staff members can have very different approaches and outcomes, so consistent good practice needs to be ensured through training.

Our research found that 41% of customers who had faced debt found their supplier to be aggressive or intimidating. 48% found they were not supportive and respectful. But positive attitudes from staff are very important in encouraging customers to make contact with their supplier, and to provide full details of their situation – vital in assessing ability to pay. Improved scripts and training would help to achieve this.

1.3. Monitor staff performance in relation to families in debt, and ensure incentives and targets are based on quality of customer service

Past research has found that targets based on a number of calls, or level of debt repayment, can jeopardise a thorough understanding of the customer's ability to pay, and Ofgem recommends this be stopped. We also found that complaints regarding debt were a major cause of customer complaints for several companies. Incentives based on quality of customer service could help improve families' experience.

2. Negotiate an affordable repayment plan

Our research found that 40% of families who had been in debt were not given the opportunity to negotiate a repayment plan they could afford. For one big six supplier, the rate was as high as 56%. Companies should:

2.1. Review procedures, training and telephone scripts to ensure staff take a flexible approach to negotiation, and monitor this

Companies need to examine whether their policies stress a flexible approach to negotiation, and, just as importantly, whether this is enacted in practice. Past research has found that different staff members take different approaches to negotiation, so consistent good practice needs to be ensured through training and monitoring.

2.2. Lower or suspend debt repayments for vulnerable customers during winter

Our research found that a third of parents in energy debt were putting the heating on for only a couple of hours a day, with some even having to cut back on heating in children's bedrooms. Rebalancing debt repayments to allow families more flexibility in winter could have major benefits for children.

2.3. Take repayments from pre-payment meters as a series of small, regular payments

Some companies take debt repayments from pre-payment meters as a proportion of a top-up, which can be as high as 70 pence of every pound added in that top-up. Others take the repayments as a continuous series of very small payments which is a simpler and fairer approach.

2.4. Co-operate fully with independent advisors who are supporting customers

Our research found that over half of parents in debt (54%) suffered from anxiety, stress or depression due to energy bills. Many do not know that they are entitled to negotiate a repayment plan they can afford. This means that independent advisors, such as debt charities, can play an important part in offering families guidance, support and help with negotiations.

3. Follow up to check the plan remains affordable

Companies have a duty to check affordability on an ongoing basis, not just as a one-off. Our research found that changes to personal circumstances could have serious impacts on families' ability to pay bills, with 31% citing changes to employment or earnings, and 28% citing changes to living costs or unexpected expenses as causes of their debt. This shows that checking affordability over time is very important. Past research has found that companies could do better in following up with customers once a payment plan is established. Companies should:

3.1. Pro-actively make contact with the customer after the plan is set up, to check it is affordable

Our research found that many customers had negative experiences of contact with their supplier, with 41% finding them aggressive or intimidating, which can put people off calling when they experience problems with repayment. However, past research has found that most customers in debt receive no follow-up communication from their supplier. Companies need to pro-actively contact their customers about their repayment plans.

3.2. Offer a helpline that is free from a mobile phone, for customers to call to discuss their debt

As mentioned above, it is often expensive to call energy company helplines and customers often have to wait for long periods of time on the phone – this can both put pressure on very tight budgets for families already struggling with their finances, and can even put families off dealing with their debts altogether. A recent survey by Which? found that 11 out of 16 companies answered sales calls faster than customer service calls.¹⁷ Companies should offer a telephone helpline, which should be free or very cheap to call, including from a mobile phone.

3.3. Improve the monitoring of pre-payment meter top-ups, and contact customers early if they do not top up

Our research found that 56% of families who faced debt were addressing this by cutting back on heating and other energy use, with 10% disconnecting themselves from the energy supply. This can have serious impacts on the health of parents and children. Other recent research has found that companies vary in how they monitor pre-payment meter top-ups and how and when they get in touch with customers who are not topping up. Companies need to ensure they meet best practice in contacting families who are at risk of cutting themselves off.

3.4. Work in partnership with debt advice charities and other sources of support for families

Our research found that energy debt was often bound up with other financial difficulties and changes in families' circumstances. Past research has also found that changes to benefits and employment or an illness can contribute to energy debt. In difficult, stressful and often complex situations, it is important that companies help their customers access the support they need, including from independent advice charities.

Recommendations to national Government

1. Change the statutory guidance or law so Ofgem includes families as a vulnerable group

Our research has highlighted the very difficult situation faced by families in energy debt, and the serious effects it can have on children's health, including breathing problems. But the law does not currently give Ofgem a clear mandate to consider families or children as a vulnerable group (Electricity Act 1989). Only individuals who are disabled or chronically sick, of pensionable age, with low incomes or who live in rural areas are considered a vulnerable group. The Government should change the social and environmental statutory guidance to the Gas and Electricity Markets Authority so that Ofgem includes families with children (particularly those on a low income) as a vulnerable group or examine whether the legislation is fit for purpose.

2. Extend the Warm Home Discount to all families with children who are living in poverty

Our Behind Cold Doors report identified that in 2013/14 nearly two million children living in poverty were living in families who missed out on the Warm Home Discount – a £140 discount on energy bills. The report made two key recommendations:

2.1. Align eligibility criteria between energy companies to reduce the confusion and complexity which prevents many families from applying for support

2.2. Move families with children living in poverty into the core group to ensure that they receive help automatically

Switching energy company is often presented as the best way to reduce household energy bills. Loss of the Warm Home Discount on switching can present a real barrier to changing supplier or, where a family does change provider, can undermine the benefits of having done so. The Government should extend the Warm Home Discount to make sure that all families with children living in poverty can automatically access this vital source of support with energy bills, regardless of their supplier.

3. Prevent energy companies from charging customers who pay by pre-payment meter more than customers who pay by other methods

Evidence shows that households who pay for energy pay around £80 per year more than those who pay by direct debit. However, many of these families are the ones who struggle the most with their bills – in many cases they may have been switched onto pre-payment because of existing debts. Families who are struggling with bills should not have to pay more for energy as a result. By ensuring that families on pre-payment meters pay the same as those who pay by direct debit, the Government could take a significant step towards ending this “poverty premium”.

4. Improve the energy efficiency of low income homes

Our research found that many families living in energy debt live in cold, draughty homes with poor insulation. Improving the efficiency of homes protects families from high bills in the long term. The Government should commit to using infrastructure funds to make two million low income homes highly energy efficient (EPC band C) by 2020 and bring low income homes up to the same level by 2025.

Recommendations to Ofgem

1. Make sure that families with children are included on companies' Priority Service Registers, and use this to safeguard families' needs

Our research suggests that families and children need to be recognised by the Government and by Ofgem as vulnerable groups of energy customers in order to protect their health and well-being. All energy companies are obliged to keep a Priority Services Register – a list of customers who may have additional needs in relation to energy – and to offer them a number of services aimed at helping to meet these needs. This currently includes pensioners, people with a disability or hearing and/or visual impairment or people with long-term ill-health, but not normally families. Ofgem should ensure that families with children are included on companies' Priority Service Registers, and review the services offered to vulnerable customers on it. It also needs to make sure they meet families' needs – including by using the registers to offer priority assistance with debts.

Our research found that 36% of families with a disabled child are in energy debt. Ofgem should consider how disability affects families and their vulnerability within the energy market, and ensure that these families receive the support they need.

2. Monitor companies' actual performance on debt issues

In recent years, Ofgem has carried out research and implemented changes which have brought about important improvements for customers in energy debt. But it is vital that this work continues, and takes greater account of the needs of families and children. Our research shows that while companies may have good intentions, these are not always reflected in practice. Ofgem should continue to monitor how companies:

- assess ability to pay, especially for families
- negotiate repayment plans
- follow up once plans are established.

3. Recommend that all companies ask about children in the home when assessing ability to pay

Ofgem should provide guidance to companies about families in debt including telling companies to ask whether there are children in the home. They should monitor not only companies' stated policies but the actual practices of staff who deal with customers, and customers' experiences.

4. Encourage and enforce improvements by companies, particularly smaller companies

Ofgem should continue the work it does with companies to improve their performance, and use its regulatory powers where needed to focus on the issues raised in this report. In particular, attention should continue to be focused on smaller companies who, as shown by Ofgem's recent report, show great variation and often do not perform as well as larger companies in terms of assessing ability to pay, negotiating repayment plans and following up afterwards.⁴ Ofgem should continue to provide support and advice and promote skill-sharing to these companies.

Chapter 6: Conclusion

Gas and electricity are basic essentials which should be available to everybody. Yet there are huge numbers of children and families who, day in, day out, are facing the desperate reality of living in cold homes. Almost a million children are living in families in energy debt.



This report lifts the lid on how low income families are the unwilling victims of damaging debt practices, including being set unaffordable debt repayment plans and too often not being given the option to negotiate how much they pay back, and when.

The health and well-being of children and other family members is suffering as a result. Children in families in energy debt are three times as likely to have been ill last winter. Four in 10 say their bedroom is too cold to sleep in at night. More than half of parents in debt on their energy bills suffered from anxiety, stress or depression.

It is striking how direct an impact energy debt has on family spending on energy itself. Our analysis reveals that too many families are faced with impossible choices between whether to heat their child's bedroom, cook a hot meal, or give them a hot bath. It is simply unacceptable that any family is faced with making these choices about the basic essentials that all children should receive.

As shown in the previous chapter, the regulator Ofgem and the Government both have a role to play in making sure that families avoid falling into energy debt, and that they are able to lift themselves out of difficulty if they do find themselves in this position. The first step must be for both to recognise more explicitly the additional vulnerability that families with children face if they struggle with their energy bills.

There is also much more that energy companies themselves should do to support families in energy debt. We identified three key areas of action which energy companies need to take in order to show some warmth and support families who find themselves in energy debt. These were: ensuring they identify families in energy debt as potentially being vulnerable; ensuring that they always negotiate an affordable repayment plan; and checking up on ability to keep to the plan after this has been arranged.

Action is required to address the impact of energy debt on families, and this requires a joined up approach from Government, regulators and energy companies. We urgently need action, to ensure that no child is faced with living in a cold home, or misses out on hot baths or meals, simply because their parent is struggling under the burden of energy debt. The Children's Society wants to work with energy companies to improve their work to support and enhance the quality and experience of families in debt. By showing some warmth to families struggling with energy debts, together we can end the damaging impact that debt can have on children's lives.

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Based on the data published by energy companies, we estimated how many debt complaints were made for each 1,000 customers. This enables comparison across suppliers.

Energy company practices

Good practice and areas for improvement

This information is based on the latest available data on energy companies, and we are conscious that some practice may have changed. It is not meant to be exhaustive, but rather provide a feel for what energy companies are and aren't doing well.

We see this as providing a means of engagement with energy companies so that they can improve their practice and provide a fairer and more equitable way of dealing with vulnerable families.

Provider	Examples of things done well	Examples of things that could be done better
Scottish Power	<ul style="list-style-type: none"> • Investigates reasons why pre-payment meter customers are not charging their devices.ⁱ • Have removed all debt recovery targets from their customer service agents' objectives and intend to instead focus on the quality of service provided by their debt recovery agents.ⁱⁱ • Engaged with Experian to predict whether and to what extent domestic debt will rise.ⁱⁱⁱ 	<ul style="list-style-type: none"> • In winter 2014, 75,000 of the company's bills were late; Ofgem stated that this must drop to 30,000 by the end of December 2014.^{iv} • Longest waiting time to speak to customer services at an average of 30 minutes.^v
British Gas	<ul style="list-style-type: none"> • Reviewed its debt processes, including trialling a number of different debt paths depending on the 'risk' of the customer, and gathering more information on personal circumstances.^{vi} • Targets monitoring to focus on a) customers known to be vulnerable and b) non-vulnerable customers who are repaying a debt, with weekly tracking of vulnerable customers' (with or without debt) consumption and top-up patterns.^{vii} • Second shortest waiting time to speak to customer services of the big six companies with an average of just over three minutes.^{viii} 	<ul style="list-style-type: none"> • High repayment rates and short repayment times suggest they should review their procedures.^{ix} • Nearly half of customers that we surveyed who faced energy debts with British Gas did not feel that their supplier negotiated a repayment plan that they could afford.
SSE	<ul style="list-style-type: none"> • Investigates reasons why pre-payment meter customers are not charging their devices.^x • Monitors pre-payment meter accounts until the first purchase to ensure cards are charged and the customer is not off supply.^{xi} • With regards to self-disconnection, will attempt to make contact after 28 days (by telephone, letter or text) and if contact is not achieved a visit will be made.^{xii} • Average repayment rates are low relative to most other companies.^{xiii} 	<ul style="list-style-type: none"> • Credit management is in their top five complaint categories, which points to some difficulties dealing with customers in debt.^{xiv}

Provider	Examples of things done well	Examples of things that could be done better
EDF	<ul style="list-style-type: none"> • The Priority Services team monitor customers who have a pre-payment meter installed on a warrant visit until their first vend. They also arrange a site visit within a reasonable period of time depending on the time of year and energy type where a customer does not vend.^{xv} • Varies their interventions on an individual basis according to risk, with vulnerable customers in this category receiving accelerated follow-up.^{xvi} 	<ul style="list-style-type: none"> • One of the worst companies in terms of customer on all complaints, and debt has been among their most common complaints during autumn 2013. In the recent past they have had a poor rate of debt complaints compared to other companies.
E.on	<ul style="list-style-type: none"> • Continues to monitor a force-fitted pre-payment meter until the supplier is satisfied that the consumer can top-up/or establish they are no longer at the property.^{xvii} 	<ul style="list-style-type: none"> • Research identified that E.on had one of the longest customer call waiting times at 11 minutes.^{xviii}
npower	<ul style="list-style-type: none"> • Monitors and reviews customers that default on repayment arrangements automatically within its billing system and customers are contacted to establish the cause of the default.^{xix} • Has the shortest waiting time to speak to customer services of the big six companies with an average of just over three minutes.^{xx} 	<ul style="list-style-type: none"> • Has used its internal debt management team branded as Collections Direct to communicate with some indebted customers.^{xxi} • Average repayment rates for pre-payment meter customers are high relative to other companies.^{xxii} • 29.8% of their customers have complained about them, considerably higher than any of the other big six energy companies. • 56% of families who had been in debt to npower in our survey said they did not get the opportunity to negotiate an affordable repayment plan. • Only 27% of families in our survey who faced debts with npower said their supplier was supportive and respectful.

Footnotes (energy company practices)

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**For more information on this report,
please contact:**

Natalie Williams
Policy Adviser
e: natalie.williams@childrenssociety.org.uk
t: 020 7841 4600

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