



MABS Helpline
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Commission for Energy Regulation's Consultation
on
Customer Disconnections
Review of Cost Allocation & Code of Practice
CER/10/184
November 2010

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1. Introduction

The Money Advice and Budgeting Service (MABS) was established in 1992 to help people on a low income to cope with debts and take control of their own finances. It is a free, confidential and independent service. It currently comprises 53 MABS Services, located in over 60 offices nationwide. MABS is funded and supported by the Citizens Information Board.

MABS National Development Limited (MABSndl) was established in 2004 to further develop the MABS Service in Ireland. It provides training and technical support to MABS staff nationally. MABSndl also assists the MABS service in providing educational and informational supports as well as assisting in highlighting policy issues that arise in the course of the money advice work on behalf of clients. MABSndl has responsibility for the ongoing development of the MABS website www.mabs.ie and for providing the MABS national helpline service.

Present Economic Climate

As acknowledged in the Commission's Executive Summary, we are in unusual times that are proving difficult for many in our community who are faced with a considerable reduction in income and are endeavouring to sustain the basics necessary for living in face of considerable financial constraints. This demands that consumers develop new and sometimes very difficult coping and money management strategies while endeavouring to maintain personal wellbeing and dignity.

MABS welcomes the opportunity to contribute to the consultation on 'Customer Disconnections – Review of Cost Allocation & Code of Practice'. As previously stated in our submission on 'Guidelines on Electricity Budget Controllers', it is urgent in our view, given the psychosocial effects of disconnection, the complexity of the issue and the limited supply of pre-payment meters, that a holistic solution be sought to arrears management.

The MABS Approach

The money advice process operates within the context of the 'money advice casework mission statement', namely; money advisers work towards *"the prevention of homelessness, fuel disconnection, the loss of essential goods or services, the loss of liberty, whilst establishing or maintaining an acceptable or minimum standard of living facilitating the client to clear his / her secondary debts at an affordable rate, within a reasonable period (e.g. 3 – 5 years), ensuring access to justice and that the client's rights are upheld and encouraging self-reliance"*

The Commission will be aware that MABS have sought to put in place an industry-wide protocol with energy suppliers taking a holistic approach to arrears collection, which ultimately aims to make disconnection of essential utilities a last resort.

As also acknowledged by the Commission, the disconnection and reconnection charges *place an additional cost burden on the customer, compounding existing debt*. MABS has brought this issue to both the Commission and individual suppliers in the form of case studies, one of which is contained in Fig.1 below (names changed to protect client confidentiality).

Fig.1 – Case Study

Mary is a single mother of four who was disconnected by her energy supplier for arrears amounting to €270. On disconnection of the supply, Mary incurred a charge of €99.81 and a further charge of €97.61 on reconnection, resulting in a total bill amount of €467.42.

As Mary does not have money available to meet these costs she will rely on assistance from the CWO and a major national charity.

Furthermore, we reiterate our view that the definition of vulnerability used by CER needs to be revisited to reflect definitions in use by energy suppliers in the UK, Australia and elsewhere.¹ In this regard it is important to note the proposed definition of “vulnerable consumer” contained in the Central Bank of Ireland’s Consultation Paper on “Review of the Consumer Protection Code” (CP 47 – Chapter 13).

¹ MABS Submission to The Commission for Energy Regulation on Proposals on a Roadmap for Deregulation January 2010

2. MABS Submission on Proposed Changes to the Guidelines for the Code of Practice on Disconnection

- 1) MABS supports the proposal that suppliers confirm a customer's prepayment plan in writing within one week of making a plan. This plan must be **mutually acceptable, affordable and sustainable**² and made in line with the customer's budget. MABS has previously expressed concern about the change in billing practices of some companies and financial institutions to online billing which can discriminate against older and vulnerable consumers who do not have ready access to the internet and would urge the Commission to stipulate that any confirmation be sent via ordinary post to customers.
- 2) While MABS supports the proposed increase in personal contact by the supplier to the customer, we suggest that a maximum number of contacts per day also be included to avoid undue pressure being put on vulnerable customers.
- 3) The increase in the disconnection period from 7 days to 14 days should be accompanied by an attempt at personal contact to the customer, either a telephone call or, ideally, a call out to the customer's home. MABS mission statement (above) and national objectives provide that the service is available to consumers in debt or in danger of getting in to debt, however due to increased demand on resources caused by the current economic climate, MABS is concerned that an onus on suppliers to recommend MABS' service to consumers on disconnection notices may result in "conditional referrals" to MABS which may further increase this demand³.

Furthermore, MABS aims to empower consumers to help themselves, conditional referrals of this nature could compel consumers to seek assistance they may not need, thereby creating a dependency that wasn't there.

MABS are also of the view that on signing contracts with a supplier, customers should have the opportunity to nominate a third party who could be contacted in the event of a threatened disconnection where customer contact has failed. (This could be a friend, a family member or a member of a local charity known and trusted by the customer etc.) Such an arrangement would ensure that even if a vulnerable customer was disconnected there would then be an awareness that the individual had been left without light/heat.

² MABS believes these are essential criteria for the development of repayment plans and incorporates same in all of its Protocols with creditor groups.

³ MABS has requested data on the number of disconnection notices issued by suppliers monthly from the Commission in order to further assess the potential effect that this proposal will have.

- 4) MABS welcomes the proposal to increase clarity of billing and administrative costs.
- 5) While MABS supports the proposal that suppliers maintain a record of all steps taken and considerations made when reaching the decision to disconnect a customer, and to increase the reporting frequency to the Commission, we submit that the process be made public and that a list of those suppliers who do not comply with such process, or with regulations in general, be published.
- 6) MABS welcomes the proposal to have all documentation issued by suppliers to customers drafted in 'plain English' and further submits that such documentation be made available in a number of media to reach the maximum number of customers.

3. MABS' response to Consultation Questions

- 1) The first point of note is that MABS believes that disconnection/reconnection costs serve no purpose for our target group (can't pay debtors) other than to worsen their financial situation. MABS is however, in favour of the proposal to review the cost of disconnections (see Section 1 and case study above). It should also be noted that the cost of disconnection represents not just a cost to the consumer but also, in the case of "can't pay" customers, a cost to others who assist in disconnection situations –e.g. MABS, the Community Welfare Officers and major Irish charities who provide significant assistance in this regard.
- 2) In addition to the cost allocation models outlined, MABS wishes to propose a further option to those listed whereby the supplier pays 50% and the remaining 50% be paid by an additional charge on "won't pay" debtors. In our view it is inequitable that the "can't pay" customer is penalised in the same fashion as the "won't pay" customer. This submission would necessitate a cost analysis by the Commission in respect of implementation, administration and the respective levels of "can't pay" / "won't pay" utility debtors.
- 3) See response to question 5 below.
- 4) See response to question 5 below.
- 5) MABS has studied the practice of debt blocking in the UK and Northern Ireland as outlined in section 3.5.1 of the Consultation Paper, and is in favour of the proposal to prevent customers switching supplier while in debt, however there are Irish data protection concerns in respect of the Northern Irish practice of sharing information between suppliers. While we note the concerns in relation to competition and the need for consumers to be able to shop around for best tariffs, our view is that it is better to prevent a debt spiral. Furthermore, if a social tariff were available at the same base rate across all suppliers there would be no rationale for shopping around.

There is an increasing trend in calls to the MABS National Helpline concerning multiple debts to utility suppliers caused by customers switching accounts when in arrears only to find that the product they have switched to was not suitable for their needs.

MABS also wishes to highlight the fact that the advertising practices of utility suppliers, particularly those who are new to the market, has encouraged these consumers to leave their current supplier, and level of debt, behind and strongly urges the Commission to regulate the advertising and sales practices of these suppliers.

MABS supports the distinction between “can’t pay” and “won’t pay” debtors⁴ and submits that suppliers increase their efforts to identify, and maintain a register of, vulnerable⁵ “can’t pay” debtors. MABS supports the proposal to prohibit suppliers from disconnecting these debtors for reasons of non-payment.

⁴ See Law Reform Commission Interim Report on Personal Debt Management and Debt Enforcement (LRC 96 – 2010), para.1.04

⁵ See MABS Submission to The Commission for Energy Regulation on Proposals on a Roadmap for Deregulation January 2010