Resetting the energy debt landscape: the case for a debt relief scheme

AdviceUK Submission

AdviceUK welcomes the opportunity to respond to Ofgem's consultation on resetting the energy debt landscape: the case for a debt relief scheme.

AdviceUK represents over 650 social welfare advice centres across the UK. Our members provide individuals, families and communities with advice on a wide range of social welfare issues including debt, housing, benefits, immigration and provide support for specific communities including students, disabled people and people experiencing domestic violence. Our members provide advice to 1.7m people annually.

We support the introduction of an energy debt relief scheme and welcome Ofgem's recognition of the urgent need to assist individuals struggling with unmanageable energy debts. Energy debt is a major and growing issue for many Britons. Our members reported working on 546 separate cases for energy debt in the UK during the period 20 March 2024 – 4 February 2025.[1] We are supportive of the proposal for charity and community groups to play an important role in identifying clients who might benefit from the scheme. Our members will play a key role in this and are eager to do so.

However, it is crucial to clarify how this scheme will interact with general Debt Relief Orders (DROs) in England and Wales. Many individuals eligible for the energy debt relief scheme will also have multiple other debts, making a general DRO the most advisable route for them. It is essential that those who have already had a DRO remain eligible for support under the energy debt relief scheme. Furthermore, the scheme should cover a broader period, starting from March 2020, as many households accrued significant energy debt due to the financial impact of COVID-19, not just the energy crisis period. Lastly, the scheme must be inclusive of all energy users, including those using non-conventional energy sources such as gas bottles and cans, ensuring that no community is excluded from access to support.

It is also important to recognise the upstream issues that remain unresolved. Retail energy bills have not decreased in line with falling wholesale costs, leaving many households still paying well above pre-crisis levels. During the energy crisis, wholesale gas and electricity prices reached record highs, prompting a 54% rise in the energy price cap in April 2022 and a further 27% rise in October 2022. Although these wholesale prices have since declined from their peak, the resulting reduction in retail bills has been disproportionate. As of late 2024, household energy bills remained approximately 29% higher than in winter 2021/22. Ofgem must use its regulatory position and convening power—both with government and industry—to advocate for wider policy changes ensuring retail prices are brought in line with wholesale trends, so that fewer households are forced into debt.

[1] Energy Advice/Support AdvicePro data, 4 February 2025 (attached).

Recent AdviceUK data underscores the scale of energy-related debt advice demand. In 2024, our members recorded nearly 20,000 cases specifically categorised as Energy Advice, with thousands more tagged for fuel vouchers, fuel poverty, and support applying for financial assistance with energy bills. Although this snapshot does not capture the entire sector, it signals a significant, sustained wave of energy debt problems facing the households we serve. This data is attached to this submission for reference.

We have set our answers to the relevant questions in the consultation below. For more information on this submission, please contact callum.delhoy@adviceuk.org.uk or willem.vandeven@adviceuk.org.uk, and paula.beaton@adviceuk.org.uk for anything on Scotland.

Q1) Do you agree with our case for change?

Yes, AdviceUK agrees that there is a clear case for change in how energy debt is managed. The experience of our members highlights that many individuals struggle to repay energy debts accrued during the energy crisis. Energy prices became unmanageable for many individuals and suppliers displayed inadequate communication, delayed billing, and systemic barriers to support.

Q2) Should we intervene through the introduction of a debt relief scheme?

Yes, a debt relief scheme is necessary to provide immediate financial relief to those most impacted by energy debt. Many AdviceUK members report that energy debt is often one of multiple debts faced by clients. Therefore, in England and Wales, it is crucial that any scheme does not impede on the ability to apply for DRO for other forms of debt and that individuals who have already been granted a DRO can still participate in this scheme. While the scheme alone will not solve broader financial hardship, it can represent an important intervention to prevent households from falling further into crisis.

Q3) Do you agree with the proposed design principles for a debt relief scheme?

We broadly support the design principles but recommend that the scheme be as inclusive and accessible as possible. For example, some communities use non-conventional energy sources, such as through gas cans and bottles. These communities were still adversely affected by the energy crisis and should be able to benefit from Ofgem's proposed reforms. Additionally, the automatic identification of eligible consumers is welcome, but a supplementary referral mechanism via charities and advice organisations must be well-resourced and straightforward to navigate. Our members are keen to participate in this scheme and can help identify vulnerable individuals who would benefit from debt relief. It is important that Ofgem engages positively with these organisations and ensures that they have the resources, funding and support to.

Q4) Do you agree with our key objectives for a scheme?

Yes, we agree with the objectives, particularly in reducing unmanageable debt and enhancing consumer well-being. However, we urge Ofgem to consider how energy companies set their prices during the energy crisis. Studies have been conducted on this issue which Ofgem may want to engage with, including from UCL.[2] Energy suppliers need to radically improve their customer support services. Companies should have specific departments to engage with consumers, either directly or via charities and consumer groups,

[2] UCL, 'Consumers paid billions more for energy while providers increased revenues,' 16 May 2023.

and online portals should be established to help debt advisers navigate support. Intensive training is also required to improve the customer service offer.

Q6) Do you agree with our proposals in relation to a scheme time limit?

A time-limited scheme is reasonable, but it must account for debts accrued beyond the energy crisis period. Many clients continue to struggle due to the lasting impact of high energy costs and economic instability. Our members have informed us that consumers have struggled with energy debt since the COVID-19 Pandemic. As people were at home more, domestic energy consumption rose substantially. Further, many individuals experienced job losses, furloughs, or reduced working hours, limiting their ability to pay for utilities. Energy bills became harder to prioritise alongside rent, food, and other essentials. Therefore, the scheme should allow people to claim from March 2020. If the scheme is time limited, there needs to be additional responsibility on lenders to ensure that they make customers aware of the scheme. It is also important that Ofgem considers that some customers may not be able to engage with the scheme as the regulator wishes due to mental health, disability, or other vulnerabilities. Therefore, if the scheme is time limited, Ofgem must own a strong customer-facing communications campaign and issue clear guidance to individuals and CGCs.

Q7) What are your views on the type and level of support that could be provided by a debt relief scheme?

We recommend a two-tiered approach: full or substantial debt write-off for those who cannot realistically repay, and debt matching for clients able to make some contribution. This ensures the scheme is fair, targets the most severe cases, and still motivates partial repayment where feasible. A proportionate solution—rather than a flat rate—better reflects varying debt levels.

Q8) Should the scheme be implemented through supplier delivery with Ofgem oversight or through an independent administrator?

On balance, supplier delivery with rigorous Ofgem oversight is sensible: suppliers already hold key customer data and have direct contact channels. However, a single, standardised application process—administered uniformly—must be established. This ensures consistency, minimises administrative confusion, and allows Ofgem to audit effectively to protect vulnerable clients.

Q9) Do you have any views on the audit options presented?

Auditing should be rigorous yet minimally burdensome for charities and advice services involved in referrals. Transparency in supplier audits is crucial to ensure fair distribution of relief funds. If auditing impacts on the time taken to reach a claim decision, there must be an agreement that no action or recovery is taken on a consumer when they live a live application for debt relief.

Q12) Are there any other financing or administrative considerations?

It is essential that charities and advice groups involved in referrals are adequately funded and resourced. Many AdviceUK members report funding challenges and delayed payments, which impact their ability to provide services effectively.

Q13) What are your views on the funding options, considering the balance between temporary customer bill increases and recovery period?

Any additional bill increases is concerning for many people. A longer repayment horizon (e.g., three to five years) helps avoid sudden spikes. Additionally, exploring alternative funding approaches—including the possibility of partial government support—could reduce the impact on vulnerable consumers and distribute financial responsibility more equitably.

Q15) How should debt already accounted for by price cap allowances be treated?

Where suppliers have previously been compensated for bad debt through price cap allowances, those amounts should be netted off their claims under the new scheme. This ensures customers are not paying twice for the same arrears and maintains fairness in how funds are allocated and recovered.

Q16) Should debt matching be included in a debt relief scheme?

Yes, we believe debt matching is a beneficial option for individuals who can afford to make partial payments towards their arrears but require additional support due to the overall debt being unmanageable. This approach has been well received by clients who have accessed similar schemes with British Gas, as it provides a strong incentive to contribute towards their debt while ensuring affordability checks mitigate financial risk.

Q17) If debt matching is included, what are your views on how we could differentiate eligibility thresholds for debt matching and debt write-off and what would you consider is a reasonable ratio for suppliers to match support to customer payments?

A structured approach should be used to determine eligibility, such as a sliding scale based on financial assessment. Individuals assessed as being able to make some contribution should be placed in the debt matching scheme, while those unable to afford any payments should qualify for full debt write-off. This assessment should be carried out using the Common Financial Tool (CFT) as part of the application process.

Q18) Should networks pay approved debt relief scheme claims to suppliers in winter 2025/26, or only later when networks have received the funding via higher network charges?

Paying out immediately in winter 2025/26 can jumpstart relief, but risks sudden cost impacts on networks or consumers. A phased or partial approach—with some funds disbursed upfront and the remainder recovered over time—might balance urgency for customers with stable financial planning for networks and suppliers.

Q19) Over how many years should networks recover the cost of a debt relief scheme – for example, 1, 3 or 5 years?

A 3–5 year timeframe strikes a better balance: it avoids the sharp bill increases a one-year recovery would impose on already vulnerable households, yet keeps total costs (including interest or administration) manageable. Spreading costs more evenly helps reduce the immediate burden on struggling consumers.

Q20) What are your views on the proposed primary eligibility criteria?

We support the use of effective data proxies to assess affordability and determine eligibility for debt relief. The Warm Home Discount (WHD) plus option is a preferable approach, as it would facilitate automation and allow a broader group of consumers to qualify beyond those eligible for WHD alone.

Additionally, we recommend reviewing the assessment criteria used in Home Heating Advice Scotland, which was highly effective. A similar model could be implemented alongside the eligibility criteria set out in Arms 1 and 2.

Some members have proposed not installing prepayment meters (PPMs) as an eligibility criterion. While this could be a useful data point, it does not fully account for a consumer's level of indebtedness, as many individuals at risk of PPM installation may already be struggling with arrears.

A combination of data sources could be used for a more comprehensive assessment:

- Prevention of PPM installation as an indicator of financial difficulty
- Warm Home Discount eligibility to automate identification of vulnerable consumers
- Council Tax Reduction (rather than general council tax data) since local authorities hold more accurate information on household income and benefits. Council tax banding alone is not a reliable measure of affordability, as it varies significantly and does not always reflect financial circumstances fairly.

Support should be provided to consumers who accrued energy debt from the beginning of the pandemic. Refer to the answer to Q6) for evidence. We recommend a flexible affordability assessment to ensure no vulnerable consumers are excluded.

Q21) What are your views on proposals for arm 3 of the primary eligibility criteria (affordability assessment)?

The Home Heating Fund was a highly utilised programme that required an application but minimal adviser input, making it efficient in helping clients while alleviating financial pressure. A similar approach would be beneficial for the debt relief scheme, allowing CGCs to assess a household's overall financial situation, provide debt advice, and support income maximisation efforts.

To ensure accessibility, the application process should not be overly burdensome for advisers or clients. Completing a Common Financial Tool (CFT) or Standard Financial Statement (SFS) is already a standard part of debt advice, so integrating this within the application process rather than requiring duplicate information would be practical.

Key recommendations for improving the application process include:

- Allowing advisers to upload existing Income & Expenditure (I&E) assessments instead of re-entering information in a different format.
- Developing a user-friendly online portal that facilitates multiple applications, enables easy tracking of progress, and helps advisers chase up outcomes efficiently.

Q22) What are your views on the proposed application route for eligibility?

The automatic identification of eligible consumers is welcome, but the additional referral route via charities and advice services must be streamlined and well-funded. Furthermore, it is imperative that energy suppliers are open and engage sufficiently with CGCs.

Q23) What are your views on proposals for arm 3 of the application route for eligibility (affordability assessment through a CGC)?

AdviceUK supports the involvement of consumer groups and charities but highlights concerns about administrative burdens and resource constraints. These organisations must be adequately compensated for their role in assessments. Refer to answers above.

Q24) Do you agree with proposals for eligibility in relation to closed accounts? Yes, individuals with closed accounts should still be eligible if their debt was accrued during specified period.

Q25) What are your views in relation to the removal of arm 3 of the primary eligibility criteria or the use of indices of deprivation as the affordability assessment?

Solely relying on indices of deprivation would miss many nuanced, individual circumstances (e.g., someone outside a “high deprivation” area but facing recent job loss). We therefore favour retaining an affordability check—for instance, using Warm Home Discount or council tax reduction data—over removing that step entirely. A robust, personal assessment prevents unfair exclusion or inadvertent support of those who can afford to pay.

Q26) Should conditionality be built into the design of a debt relief scheme? Any conditionality must be minimal to ensure accessibility. Requirements should not act as a barrier to support.

Q27) Are there significant data-sharing challenges? Yes, obtaining timely and accurate data from energy suppliers is a recurring issue. Standardised data-sharing agreements between suppliers, advice organisations, and Ofgem should be established to streamline eligibility checks. Ofgem must engage strongly with supplier to ensure they participate openly and fully in the scheme.

In conclusion, AdviceUK wholeheartedly supports Ofgem’s effort to establish a debt relief scheme that aligns with the real financial challenges faced by many households. If implemented with robust oversight, inclusive eligibility, and well-planned funding, it can serve as a vital lifeline to those most at risk of escalating energy debts. However, this scheme must be accompanied by systemic reforms—including fairer pricing strategies, improved supplier accountability, and continuous engagement with community-based advice services—to prevent future crises of the same nature. AdviceUK urges Ofgem not only to develop a robust debt relief scheme but also to leverage its position to advocate both Government and energy companies for systemic changes—including fairer pricing policies and deeper supplier accountability—to ensure energy bills become genuinely affordable. Without addressing the root causes of high retail costs, households will remain vulnerable to cyclical debt crises.