

Addressing the risks of the Don't Pay UK campaign

What is Don't Pay UK calling for

Energy prices are set to increase significantly from October. In response, a campaign called Don't Pay UK has launched urging people to cancel their energy bill Direct Debit on 1 October 2022 in protest. The campaign action will be triggered when a million people sign up to take part. If it does not reach this target, it will not go ahead.

The risks of signing up to the Don't Pay campaign

While some people will be forced to cancel their Direct Debit in response to unaffordable bills, many people signing up for Don't Pay will be cancelling their payment in protest. While we understand frustrations with the lack of sufficient targeted support and genuine fear of the future, there are some important things you should be aware of before you cancel as it could have negative repercussions for you and unintended consequences for others.

Age UK fully appreciates people's frustrations with bills increasing and insufficient support to cover the full extent of price rises. We also recognise the Don't Pay campaign is designed to highlight the issues vulnerable consumers face this winter and secure additional Government support.

Many households will fall behind on their bills this autumn and winter and some will be forced to cancel Direct Debits and seek help from their supplier. This crisis could have a devastating impact if you are on a lower income, but we are concerned that the Don't Pay campaign could unintentionally make the situation worse for vulnerable people.

The below information is intended to explain the risks to those considering cancelling their direct debit as part of the don't pay campaign, in particular when you can afford your energy costs and are doing it as a protest.

Age UK is aware many older people will find themselves having to cancel their direct debits this autumn and winter as they simply cannot afford their bills. This is a fully understandable reaction to unmanageable bills and is often a necessary step for consumers trying to get their finances in order. In some cases, cancelling your direct debit may help you avoid costs elsewhere, such as bank charges if your payment is returned.

If you are struggling and need information, advice, and support, we are urging you to speak with your supplier or call our free national advice line on 0800 678 1602, before cancelling a direct debit. Energy suppliers have a duty to offer support if you are struggling with bills or debt, so contact your supplier directly to ask about available support.

What happens if I cancel my Direct Debit in protest?

Increasing numbers of older people have been getting in touch with Age UK to ask whether they should support the Don't Pay campaign and cancel their energy bill Direct Debit, many of whom were unaware of the impact this can have. Customers who do not pay their bills when they are due could fall into energy debt and may find themselves in difficulty with their supplier.

Suppliers are obligated to investigate your circumstances and offer a suitable payment solution or alternative support if you fall behind on your bills. This can include:

- Setting up a new reduced Direct Debit payment plan.
- Allowing you to pay what you are able on receipt of a bill.
- An agreement can be reached that payment is taken direct from your benefit payments. In some cases, this can be done without your consent.

If suppliers are unable to get in contact with you, or any solution agreed is defaulted on, they may communicate with you about installing a prepayment meter (PPM). Some suppliers may offer a PPM earlier in the process, particularly if you actively request one.

PPM users are reliant on pay as you go energy – topping up your meter to gain access to your electricity and gas. While you may find a PPM more convenient and opt for one, for indebted households forced onto a PPM, they can present significant problems.

PPM tariffs are generally more expensive than Direct Debit ones and there is a more limited range of tariff options. Most PPM users also top up their meter at a local shop and for some vulnerable older people, this can present barriers, as you may not have a top up point close to your home.

Most importantly, for a PPM customer, if you don't have money to top up your meter, eventually, you will run out of gas or electricity.

Where suppliers have been unable to get in touch with you or you have defaulted on an agreed payment plan, suppliers can pursue court action to have a PPM installed under warrant. If you have a smart meter, it can be switched to prepay mode without the need for an installation. In all cases of PPM installations, suppliers should check that a PPM is safe and reasonably practicable for you.

In extreme circumstances, suppliers can disconnect you from your supply. It is important to note this is very rare. There are also some important exemptions. These include a full ban on disconnections for unpaid charges between 1 October and 31 March if you are over State Pension age, or you live with anyone over State Pension age or under the age of 18. Suppliers must also take all reasonable steps to avoid disconnecting over the winter months for unpaid charges if the household occupiers include anyone disabled or chronically sick.

If it proves unfeasible for a supplier to install a PPM or disconnect your supply, their final recourse for recouping debts is to chase them using other means which may sit outside of the energy market regulator, Ofgem's, regulatory framework. This includes debt collection agencies and County Court Judgements, which may incur additional costs. This can be recorded on a credit reference file which could impact your future finances.

The risks of unmanageable customer service backlogs:

If the Don't Pay campaign goes ahead and 1 million or more people cancel Direct Debits, then 28 days after their bill was due, they will start to get notices from their supplier following the process outlined above. Normally you would be encouraged to actively engage with your supplier throughout this process and come to a negotiated agreement. However, if you have deliberately withheld your Direct Debit in protest, you might not want to engage. This could have two main consequences.

The first consequence is that if you do eventually negotiate with your supplier and are offered a revised payment plan or alternative support, you could take up the limited capacity and resources energy companies have to offer support, while others who are unable to pay their bills find themselves waiting longer for help. Age UK is already aware of the backlogs at energy supplier customer service centres and have had an increasing number of older people get in touch to ask us to help them reach their supplier. Adding up to a million or more consumers to this backlog will only make the situation worse for vulnerable people.

Secondly, if you don't speak to your supplier, you run the risk of being forced onto a PPM or being disconnected more quickly. While disconnection is rare, that's generally because people actively attempt to resolve issues with their supplier. It is unclear if forced PPM installation and supplier disconnection will become more common if people refuse to engage.

Furthermore, under Ofgem's licence conditions, suppliers are encouraged to proactively reach out to people who fall behind on their bills to assess their ability to pay. So even if you choose to avoid speaking with your supplier, you are still adding to the backlog.

Ofgem do expect suppliers to seek to identify customers in vulnerable circumstances and have regard to their interests. However, they have no regulatory oversight over how suppliers prioritise the order in which they get in contact with customers. So it will be very difficult for the regulator to ensure genuinely struggling consumers are prioritised over people protesting.

Consumers footing the bill:

There may be one other final consequence of the Don't Pay campaign. When 1 million or more people cancel their Direct Debit, this might result in some of the smaller suppliers, and even some larger ones, being faced with a risk of going out of business. If this happens, Ofgem generally enacts the Supplier of Last Resort process (SoLR), transferring customers of the failed supplier to a new supplier who agrees to take on the new customers. This process entails a cost, called the SoLR levy. In 2022 SoLR costs to consumers represented around £34 on everyone's bill.

The collapse of Bulb Energy, with 1.6 million domestic customers, was met with a separate Special Administration Regime overseen by the Government, but it could end up costing consumers an additional £150 dependent on how its costs are recovered. Bulb was considered too big to fail, but the UK's largest supplier, British Gas, is almost five times larger with 7.3 million residential customers.

Any cost of supplier failure will eventually be felt on everyone's bills – whether through energy bills or the taxation required for pricey supplier bailouts.

Cancelling your Direct Debit in protest puts the stability of the energy market at risk at a time of heightened uncertainty. The costs associated with market failures will disproportionately impact those who are least able to pay.

While Direct Debit customers can cancel their payment in protest and still maintain access to their energy supply, at least temporarily, this is not the case for customers who rely on a PPM. PPM users, who already face higher costs, will be unable to take part in the Don't Pay campaign but will still bear the costs associated with it if it leads to suppliers going bust.

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