



# Consultation response

## **National Energy Action response to Ofgem's Debt Relief Scheme Statutory Consultation**

### **About National Energy Action**

National Energy Action<sup>1</sup> works across England, Wales, and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm and safe home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

### **Background to our response**

National Energy Action strongly supports Ofgem's proposal for a Debt Relief Scheme (DRS) as an urgent and proportionate intervention, consistent with the regulator's principal objective and vulnerability duty, and aligned with the Consumer Vulnerability Strategy. The scheme will deliver immediate and visible relief to households holding crisis-period arrears and incentivise re-engagement between customers and suppliers through low-barrier routes. It cannot, alone, resolve the wider affordability challenge or prevent future debt accumulation. Lessons from the design, delivery and evaluation of the scheme should inform enduring solutions, including government-led affordability and debt interventions.

We also welcome the comprehensive engagement that has taken place throughout Ofgem's DRS and wider debt strategy process, including the December 2024 policy consultation, the August 2025 working paper, and this statutory consultation. The statutory consultation documents set out a clearer and more workable framework than early iterations, with improved clarity on eligibility and engagement. A timely, low-barrier intervention is necessary given the scale of arrears and the documented increase in domestic energy debt, reported by Ofgem to have reached approximately £4.43 billion by June 2025<sup>3</sup>.

### **Summary of our response:**

The Debt Relief Scheme is a necessary and proportionate intervention under Ofgem's principal objective and vulnerability duty. The phased design, targeted eligibility and low-barrier engagement routes can deliver timely, visible relief and support market stability. With clear guidance, transparent financing and robust monitoring, the scheme can improve outcomes for households in deepest hardship and provide a foundation for enduring affordability and debt reforms.

Our response, in summary, focuses on:

- **Purpose and remit:** We support Ofgem's decision to act under the principal objective and vulnerability duty, aligned with the Consumer Vulnerability Strategy, and to situate the Debt Relief Scheme within a co-ordinated debt strategy.
- **Phased delivery and scope:** Support for Phase 1 targeting households on means-tested benefits with eligible crisis-period debt, and Phase 2 for households identified through enhanced income and expenditure assessments.
- **Engagement conditions:** Support for low-barrier, measurable engagement routes, including reasonable repayment plans, use of Fuel Direct, and referral to accredited debt advice organisations.
- **Customer contributions:** Support for removal of an assumed customer contribution in reimbursement calculations, as Ofgem is minded to do following stakeholder feedback.

## Eligibility and engagement

We support Phase 1 eligibility focused on crisis-period arrears from April 2022 to March 2024, identified through DWP data matching for households in receipt of means-tested benefits. This approach provides early relief and makes use of existing systems. We note the dependency on enabling legislation to permit data sharing and agree that early communication of timelines will reduce uncertainty.

We are supportive of the proposed engagement criteria, particularly the inclusion of referral to accredited debt advice as a valid engagement route prior to receipt of advice, to ensure timely relief for households in distress. The engagement conditions should remain simple and accessible, prioritising actions that demonstrate readiness to stabilise payments without creating barriers for households in distress.

To support consistent and fair application:

- Guidance should confirm that repayment plans must be affordable and sustainable, and that referral to accredited debt advice is not only a valid engagement route but also preserves eligibility where a customer disputes the fairness or affordability of a proposed repayment plan.
- Clarification should be provided on whether evidence of attempted payment, such as a failed direct debit within the most recent billing period, can reasonably be treated as satisfying the payment route where supplier systems recognise the attempt, but funds could not be collected.
- Recognition should be explicitly given to offline and assisted routes for engagement so that households facing digital exclusion, language barriers, mental health challenges, or other vulnerabilities are not disadvantaged.

These clarifications would keep the condition accessible and reduce drop-off while preserving the scheme's intent to re-establish contact and stabilise payments. Guidance should also emphasise realistic repayment planning, flexibility in applying billing cycle definitions, and equivalent treatment of direct debit, standard credit, and prepayment customers under the measurable engagement routes.

## Thresholds and minimum debt

We understand the administrative rationale for a £100 minimum threshold. However, sub-threshold arrears can still act as a hard barrier to reconnection and can drive standing charge accrual, especially for households on low incomes. We recommend clarifying that suppliers may clear eligible debt under £100 where this prevents self-disconnection or mitigates standing charge accrual for households on means-tested benefits. This would preserve impact for cases where small debts create disproportionate harm.

## Delivery and oversight

We support proportionate supplier readiness assessments, periodic reporting, and independent assurance of reimbursement claims, similar to the approach used for Supplier of Last Resort claims. This mix should be calibrated to ensure consistent delivery, fraud prevention and a robust audit trail, without overburdening advice capacity or smaller suppliers. Clear templates and secure data transfer arrangements in the delivery guidance will be important to ensure consistent reporting and reduce friction.

### **Customer contributions**

We support Ofgem's intention to remove an assumed customer contribution from reimbursement calculations. A notional contribution risks excluding households in deepest hardship, and it introduces perceived unfairness and complexity. We ask Ofgem to confirm removal in the decision and to avoid reintroducing conditionality in Phase 2 that would exclude households with no capacity to contribute.

### **Promotion and outreach**

Effective outreach will determine the impact of the scheme. We recommend multi-channel communication, including postal letters, phone calls and SMS for digitally excluded households, and partnership working with trusted intermediaries, such as energy advice agencies, housing associations and local welfare teams. Messaging should explain eligibility, engagement actions, data needs and timelines in plain language, with aligned scripts across suppliers and advice bodies.

### **Data, monitoring and evaluation**

Monitoring should capture engagement pathways, uptake and outcomes, and distributional impacts. Ofgem's Impact Assessment indicates a progressive distributional effect, with 60% of eligible debt held by households in the lowest three income deciles, and a modest bill impact of approximately £3.23 to £5.13 per dual fuel household over a year.

Publishing disaggregated outcomes by payment type, region and vulnerability indicators, together with debt trend data beyond the eligibility window, will help assess additionality and inform enduring affordability decisions, even where those decisions ultimately fall outside Ofgem's direct remit. Monitoring should also include drop-off rates at each engagement route and reasons for drop-off.

### **Government's role**

Government must go beyond supporting the Debt Relief Scheme and take direct action to address the scale of energy debt. This requires a co-ordinated programme of enduring affordability measures, informed by evaluation of Phase 1 and Phase 2 of the DRS and by Ofgem's wider work on debt standards. Intervention should include:

- **Targeted support for households in persistent arrears**, ensuring that those most at risk of disconnection or long-term hardship receive sustained assistance.
- **Improvements to ability-to-pay assessments** across the market to prevent unaffordable repayment plans and reduce the risk of recurring debt.
- **Exploration of structural affordability solutions**, such as social tariffs or direct bill support, recognising that enduring affordability decisions may sit outside Ofgem's remit and require government leadership.

Without decisive government intervention, the debt mountain will continue to grow, undermining consumer protection and market stability.

### **Clarifications sought for the decision and delivery guidance**

To support consistent delivery and fair outcomes, we ask Ofgem to confirm the following in the decision documents and guidance:

1. **Repayment plan fairness and debt advice referral:** Confirm that where a customer considers a proposed plan unfair or unreasonable, referral to an accredited debt advice provider is an acceptable alternative engagement route and preserves eligibility.
  - Clarify whether customers already on an existing repayment plan qualify automatically even if they have not paid their most recent bill, and define what “adhering” to a repayment plan means in these cases.
2. **Attempted engagement signals:** Clarify whether evidence of attempted payment, such as a failed direct debit in the most recent billing period, can be treated as meeting the engagement condition.
3. **Debt advice referrals:** Provide clearer language for “warm referral”: suppliers should provide customers with details of specific debt advice services (including contact information), rather than generic signposting.
  - Where possible, referrals should reflect customer needs, for example, Business Debtline for self-employed households. This strikes a balance between Ofgem’s intent and practical feasibility given the lack of dedicated funding.
4. **Trusted intermediaries and third-party advocacy:** Clarify the role of consumer and community groups beyond accredited debt charities, such as energy advice agencies, housing associations, and local welfare teams, in supporting engagement, and confirm whether their involvement can be recognised within the engagement condition.
5. **Offline pathways:** Make offline routes explicit to avoid disadvantaging digitally excluded households.
6. **Sold-on debt:** Provide explicit guidance on treatment of debt sold to third-party collectors, including data-sharing requirements between suppliers and debt purchasers and cessation of collections where customers qualify for relief.
7. **Sub-threshold discretion for households on means-tested benefits:** Clarify whether suppliers may clear eligible debt under £100 in defined circumstances to prevent reconnection barriers or standing charge accrual.

#### **Summary of recommendations**

- Proceed with Phase 1 delivery as early as practicable, subject to enabling data sharing legislation, and maintain momentum into Phase 2 with enhanced income and expenditure assessments.
- Keep engagement routes low barrier and measurable. Confirm debt advice referral as a valid alternative where repayment plan fairness is disputed.
- Allow defined discretion to clear sub-threshold arrears for households on means-tested benefits where this prevents reconnection barriers or standing charge accrual.
- Confirm removal of assumed customer contributions from reimbursement and avoid reintroducing conditionality that could exclude households in deepest hardship in Phase 2.
- Publish robust monitoring and distributional data to inform Phase 2 and any future affordability and debt interventions.

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## References and notes

<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> National Energy Action also works alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK-wide reach.

<sup>3</sup> [Debt strategy update: supporting the reduction of energy debt](#), Ofgem, 2025