StepChange response to DESNZ consultation on Expanding the Warm Home Discount Scheme 2025/26

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Summary

StepChange Debt Charity is a specialist not-for-profit provider of debt advice and debt solutions supporting people across the UK. In 2024, over 660,000 people contacted StepChange seeking debt advice or guidance with their problem debt and over 170,000 people completed full debt advice through our online and telephone service.

We welcome the opportunity to feed into this Department for Energy Security & Net Zero (DESNZ) consultation on expanding the Warm Home Discount (WHD) scheme 2025/26. Our insights show the need for well-targeted, effective support on energy affordability is abundantly clear. Energy arrears are the most common priority debt that StepChange debt advice clients face – a trend which has persisted for several years, with average energy debt amounts per client increasing over the same period.

In 2024, two in five (40%) of our clients responsible for paying energy bills had arrears at an average of £2,340, and over two in five (42%) of this group had a negative budget – meaning after going through a full debt advice and budgeting session, their monthly income is not enough to cover their basic monthly costs.

For many of those with the lowest and most precarious incomes, which includes lots of our clients, fuel poverty is a daily lived experience. To put this into perspective, two in five (40%) clients with responsibility for energy bills were spending more than 10% of their income on energy in 2024, rising to over half (53%) among those with energy arrears. The experiences our clients report to our debt advisors reflect some of the worrying consequences this financial difficulty can have, from causing or exacerbating mental health problems, through to detrimental physical health impacts due to self-rationing energy consumption.

What's more, nationally representative polling StepChange commissioned in January 2025 found that three in ten (31%) UK adults were worried about their ability to pay their energy bills over the next six months, rising to over two in five (44%) of those in receipt of benefits and over half (56%) of those receiving Universal Credit (UC) specifically.

These insights must be situated in a context where typical energy bills continue to sit far above pre-energy crisis averages, while the level of targeted financial assistance available to support those in or at risk of fuel poverty has quite simply not sufficiently kept pace.

As an initial step, it's certainly welcome to see the Government's proposals to expand access to the WHD scheme this winter so that all households in receipt of means-tested benefits would be eligible to receive the £150 rebate – translating into nearly 3 million more families coming into eligibility this coming winter. Three in five (61%) StepChange clients with energy arrears are in receipt of UC, one of the scheme's qualifying means-tested benefits – meaning that a notable proportion of our clients who are behind on their energy bills would receive this support without having to meet the high cost to heat threshold.

That being said, the WHD scheme – introduced in 2011 as a singular £120 winter payment, intended to help those living in fuel poverty with their energy costs – has only increased by £30 over its lifetime, and by a minimal £10 since winter 2014/15. Meanwhile, increases in energy costs have far outstripped these changes. Between 1 April and 30 June 2025, the energy price cap will be set at a typical £1,849 per year – over £700 higher per year on average when compared with the figures consumers could expect just a few years ago, considering that the price cap sat at £1,138/year in summer 2021.

In practical terms, with historically high levels of energy debt in the system following years of high prices and the energy price cap once again on an upwards trajectory, many households will continue to struggle to meet their energy costs – both debt repayments and ongoing usage – without further, more comprehensive action on both affordability and debt.

We therefore believe it is right that the Government has framed this proposal as an "initial step" towards a greater reduction in fuel poverty for winter 2025/26, rather than an all-encompassing solution. More substantial, in-depth options to improve support for those who need it beyond the winter of 2025/26 must be explored and enacted.

This includes the implementation and delivery of a nationwide, energy debt relief scheme to tackle historic debt – an intervention StepChange has long been calling for, and which Ofgem is currently exploring – as well as work to drive up standards in the energy debt pathway and bring about long-term, widespread energy affordability.[1]

To elaborate on the intention outlined last above, StepChange wants to see targeted, enduring intervention which protects consumers in vulnerable situations, including those on lowest incomes, from unaffordable energy costs once and for all. It is vital that the WHD scheme is reviewed and – if it is to be the policy vehicle used in response to deep energy affordability pressures - made fit for purpose. While we recognise that there are legislative limitations to the changes that the Government can make in the 2025/26 scheme year, we look forward to engaging on the "more substantial changes" being explored "to improve the design of the scheme beyond the current regulations which expire in 2026."

We would also note that it is important that the "Industry Initiatives" element of the WHD scheme be retained or enhanced in any future iteration, as this is a further effective route through which practical, meaningful support can be provided to customers who are in or at risk of fuel poverty – including debt support and energy efficiency advice. Expectations of suppliers and advice providers have shifted and increased significantly since the WHD scheme was last renewed and it is vital that funding is aligned with aspirations for a more extensive and integrated energy debt advice offer for energy customers.

[1] StepChange Debt Charity (February 2025), "We must, with urgency, tackle the energy debt and affordability crisis"

Response to consultation questions

Question 1: The high cost to heat threshold currently means that the scheme for those on means tested benefits is limited to those with the highest costs of heating. Taking account of the cost to bill payers from expanding the scheme, do you agree that we should remove the high cost to heat threshold, so that as many households on means tested benefits as possible receive the WHD?

Energy affordability is a major public policy issue and Cornwall Insight predictions suggest that high energy bills are likely to remain in place till at least the 2030s.[2]

We are supportive of the removal of the 'high cost to heat' eligibility threshold that is currently applied in England and Wales, which would have the effect of expanding the scheme to provide households in receipt of means-tested benefits with a £150 rebate off a relevant energy bill, and we are also welcoming of a corresponding increase in the funding for the scheme operating in Scotland.

We believe that these changes will reduce the scheme's complexity, both in helping to simplify consumer-facing communication about scheme eligibility and ensuring that more households receive support automatically. Here, DESNZ can reflect on its own learnings from the delivery challenges presented throughout the life cycle of the Government's Energy Bills Support Scheme; in particular, the identification of some issues with take-up of available support, which was lower among harder-to-reach households unable to access support automatically and who had to apply for it.[3]

We also have concerns that the design of the existing eligibility criteria risks unfairly excluding some low-income and fuel poor households based on eligibility criteria which don't directly relate to a customer's affordability position. As DESNZ itself points out in this consultation, older, larger, and more detached properties are more likely to be determined as having higher heating costs. Those living in smaller or non-detached properties therefore might potentially lose out on much-needed support based on this factor alone. Though we don't hold data on the types of properties our clients live in, a breakdown of family composition in 2024 shows that a third (34%) of our clients in energy arrears are single without children, which can be treated as a potential indicator of the likelihood of living in a smaller property with fewer rooms.

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[2] Cornwall Insight (July 2023), New forecast warns power prices to remain elevated until late 2030s

[3] National Audit Office and the Department for Energy Security & Net Zero (2024), Energy bills support: an update

Figure 1: Family composition among StepChange clients with energy arrears in 2024

Family composition	%
Couple with children	20%
Couple without children	8%
Single with children	38%
Single without children	34%

Moreover, research by consumer advocates including MoneySavingExpert has identified further issues with the high cost to heat threshold, including the following:

- High energy usage isn't assessed using bills or energy efficiency – leaving some saying they have been incorrectly told they have 'low energy use'.
- Where Valuation Office Agency data on someone's home is missing, they might be asked to provide an Energy Performance Certificate, but some don't have these – and they come at a cost.[4]

It is positive to see that expanding the WHD scheme eligibility to a larger cohort under these consultation proposals will result in those in the lowest income deciles seeing the largest increases in support, and that removing the high cost to heat threshold would increase the overall coverage of fuel poor households (by the DESNZ definition of this term) from around 30% of total households in fuel poverty to around 45%.

For all the reasons outlined above, we see this adaptation of the scheme criteria in 2025/26 as a welcome initial step to improving the support available to low-income households in or at risk of fuel poverty, though we outline ways the Government could enhance this support more extensively below.

Expanding the eligibility criteria further

We would encourage the Government to go further in its considerations around expanding eligibility for the WHD scheme, to encompass a higher number of low-income households not captured through the means-tested benefits system.

This could involve (though not necessarily be limited to), for example, the inclusion of recipients of non-means tested disability benefits. Research by the disability charity Scope has shown that on average, disabled households need an additional £1,010 a month to have the same standard of living as non-disabled households.[5] There is a wealth of evidence to show that disabled people, and those living with long-term health conditions or illness, tend to spend more on energy and are disproportionately likely to be in energy debt.

In 2024, one in five (20%) StepChange clients with energy arrears were in receipt of DLA/PIP (adult). Ofgem research indicates that customers in energy debt are also more

[4] MSE News (February 2023), Warm Home Discount: Minister promises to look at complaints after MSE identifies 10,000s may be falling through eligibility cracks
[5] Scope (2024), Disability Price Tag 2024: Living with the extra cost of disability

likely to report having a disability or long-term illness than those not in debt; more than two in five (44.2%) customers in debt have someone with a disability or illness in their household.[6]

Scope analysis indicates that adding disability benefits to the eligibility of Core Group 2 would support around 680,000 additional disabled households. The charity also estimates that this move would cost the typical bill-payer just £3.50 extra per year.[7]

Increasing the financial assistance available

In its lifetime – spanning nearly fifteen years – the amount of financial assistance afforded to those eligible for the WHD scheme has only increased by £30 altogether, and by £10 in the last decade. With the latest Ofgem figures showing that the total amount of consumer energy debt and arrears in the system reached a stark £3.82 billion as of September 2024 — a 91% increase over the last two years alone – it is clear that a much more effective intervention is needed to adequately address fuel poverty, energy debt and affordability.[8] The urgency of this move is reinforced by figures from the charity National Energy Action, which estimate that the number of UK households in fuel poverty across the UK is 6.1 million, up from 4.5 million in October 2021.[9]

Further to this, analysis the by the BFY Group and So Energy indicates that the average "fuel poverty gap" (the reduction in a household's energy bill required to no longer be classed as fuel poor) is £550, significantly higher than the current WHD payment.[10] However, this gap of £550 is an average which "masks the greater difficulties faced by the most fuel poor households", according to BFY and So Energy; for example, their research shows households in the lowest income decile, who have high energy requirements or high housing costs, face fuel poverty gaps of more than £1,000.[11]

It is evident that a one-size-fits-all approach to tackling fuel poverty will not work in the long term. If a revised version of the WHD scheme is to be the vehicle through which the Government intends to bring about long-term intervention on energy affordability, the amount of financial support available to eligible households will need to be significantly uprated and tailored to meet actual energy affordability needs.

It is therefore encouraging that, looking ahead beyond the expiration of the current regulations, the Government has signalled that it wants to ensure that the WHD scheme is designed in such a way that improves the support provided to fuel poor households. We remain keen to continue engaging with DESNZ on this important issue.

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[6] Ofgem (2024), Resetting the energy debt landscape: the case for a debt relief scheme
[7] *These calculations are shared with permission from Scope, having been produced for a 2025 MPs briefing looking at reforms to the WHD scheme and energy affordability.*
[8] Ofgem (2024), Ofgem proposes introducing zero standing charge tariffs
[9] National Energy Action (January 2025), Fuel poverty statistics explainer and National Energy Action, Policy and advocacy: What do we do?
[10] BFY Group and So Energy (March 2025), Warm Homes Support Scheme: Addressing Fuel Poverty
[11] As above.

Question 2: If you think we should keep the high-cost threshold, do you have any evidence to suggest what an appropriate level could be to ensure that households who need support do not miss out on the WHD while managing the cost for other bill-payers?

We do not believe that the Government should retain the high-cost threshold within the WHD eligibility criteria, and therefore have no comments to add here.

Question 3: Specifically for energy suppliers: do you foresee any practical challenges or have any delivery concerns with expanding the spending target in this way, for this group of customers?

This question is not applicable to StepChange and we therefore have no comments to add.

Question 4: Do you agree that the Park Homes WHD Scheme should be broadened to include other household types where bills are not paid directly to an energy supplier?

Question 5: Who should this be broadened out to (for example, housing association/private tenants supplied via a landlord, houseboats at residential moorings, travellers on authorised fixed sites)?

Question 6: Do you agree that this extension should be done within the existing budget for the Park Homes WHD Scheme?

We do not have extensive comments to share here, and so have combined our responses to these questions. Overall, we support the policy intent behind bringing more groups who do not pay their energy costs directly to an energy supplier into WHD criteria, but we would not want to see other important elements of Industry Initiatives funding (including opportunities for debt advice and write-off, and crisis payments) reduced as a result, as this could be counterproductive.

Considerations around the efficacy of this move depend on the number of people who would be brought into eligibility, and the associated costs, which we are not able to provide or source. We would welcome clarity from DESNZ on the approximate number of people who would be likely to benefit from this intervention, and the impact this would have on the overall budget envelope.

Though we do not have data on the proportion of our clients whose bills are not paid directly to an energy supplier, over a third (35%) of our clients with energy arrears in 2024 rented from a private landlord, while approaching half (46%) rented through their council or a Housing Association – evidencing the strong interaction between renting and the likelihood that a person will be in energy arrears.

Figure 2: Housing tenure among StepChange clients with energy arrears in 2024

Housing type	%
Board payment (not with family)	2%
Living with family	3%
Mortgaged	9%
Other	2%
Owns property outright	3%
Renting – Council or Housing Association	46%
Renting – private landlord	35%
Shared ownership (mortgage and rent)	1%

Question 7: Do you agree that we should retain the broader group in Scotland for the time being, and instead ensure that more people become eligible for rebates by increasing suppliers' non-core obligations in Scotland in proportion to any expansion of the scheme in England and Wales?

We agree that the Government should retain the broader group in Scotland for the time being, as the relevant means-tested benefits which would factor into England and Wales eligibility under these consultation proposals already have to be included in suppliers' criteria as per the requirements in the existing regulations in Scotland (though, we note, with some attached conditions), and we would not want to see this support weakened.

As previously stated, it is encouraging to hear that the Government is considering more susbtantial changes to improve the design of the scheme beyond the current regulations, and we would again urge DESNZ to go further in broadening and deepening the support available to those in or at risk of fuel poverty in Scotland.

In the meantime, we also support a move to ensure that more people become eligible for rebates in the 2025/26 scheme year by increasing suppliers' non-core obligations in Scotland in proportion to any expansion of the scheme in England and Wales.

Question 8: Specifically for energy suppliers: do you foresee any practical challenges or have any delivery concerns with expanding funding through the broader group in this way? If concerns exist, do you have any suggestions for mitigating actions, such as expanding Industry Initiatives in Scotland?

This question is not applicable to StepChange and we therefore have no comments to add.

Question 9: Would notification of a change in non-core obligation under the WHD (Scotland) Regulations within 25 days of the regulations coming into force (or by the 31 July, whichever is earlier) result in any unmitigable adverse impacts for suppliers?

We cannot provide relevant feedback in response to this question.