

# StepChange response to Ofgem consultation: the case for a debt relief scheme

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# Summary

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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 warmly welcome the opportunity to feed into this Ofgem consultation on the case for an energy debt relief scheme. Alongside sector partners, we have consistently been calling for a nationwide “Help to Repay” scheme designed to help tackle domestic energy debt/arrears<sup>1</sup>, and are very pleased to see the regulator has listened to these calls and is exploring concrete plans to address this significant challenge.<sup>2</sup>

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 increasing over the same period. In the first half of 2024, two in five (41%) of our clients responsible for paying energy bills had arrears at an average of £2,260, and approaching half (47%) 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, approaching half (46%) of StepChange clients in the first half of 2024 were spending more than 10% of their income on energy. Our debt advisors highlight 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.

For these reasons, we are strongly supportive of the introduction of a debt relief scheme with the potential to deliver up to £1 billion in write-off for eligible customers. We see this as a very positive and much needed development.

It is also worth highlighting that a scheme including the second application route, while very welcome, would have significant implications for debt advice sector, in terms of how the flow into debt advice would work operationally, and the resourcing and capacity required to support the likely demand. StepChange is working collaboratively and at pace with colleagues in other debt advice charities to consider service design and implementation plans, to help inform Ofgem’s plans for the scheme.

We also strongly believe that holistic reform of the energy price model is needed to deliver long-term affordability to those at risk of fuel poverty, and to provide sufficient

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<sup>1</sup> We note Ofgem has separate definitions distinguishing between energy debt and arrears: for context, we will use these terms interchangeably throughout this response.

<sup>2</sup> Money Advice Trust (2023) [Joint Autumn Statement submission from seventeen organisations: Proposal for a ‘Help to Repay’ scheme on domestic energy bills](#)

protection and ongoing assistance to those struggling with energy payments. This includes the implementation of a social tariff in the energy market which protects consumers in vulnerable situations, including those on the lowest incomes, from unaffordable energy costs.

We would add a final comment on the consultation being framed around 'resetting the energy debt landscape'. A debt relief scheme will certainly contribute positively to this goal, but a real reset will also require efforts to drive change in supplier practice and culture around debt management. We're therefore pleased to see a separate consultation on improving energy debt standards published alongside this one.

## Response to consultation questions

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### Case for change

Q1. Do you agree with our case for change?

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

Yes, StepChange agrees that there is a compelling, urgent case for intervention to support people struggling or unable to repay energy arrears accrued in relation to the significant increase in energy prices in recent years – which have collectively reached record levels – and we strongly support the introduction of a debt relief scheme.

The cost of living crisis has shone a more prominent light on the issue of people struggling to afford essential bills, but it is certainly not a temporary problem – the necessity of intervention has just become increasingly urgent.

By providing targeted support towards bringing debt levels down, an energy debt relief scheme would contribute positively to financially vulnerable households' circumstances and reduce the need for elevated bad debt allowances in future price cap periods, which would also provide benefits for energy customers more widely.

We foresee a number of other positive impacts stemming from the implementation of such a scheme. If executed well, it could:

- Provide a safe route out of energy debt for some financially vulnerable customers, significantly reducing the risk of them being pushed into deeper problem debt, through desperation borrowing and the possibility of further hardship through inappropriate or unaffordable debt collection.
- Reduce negative mental and physical health impacts of unaffordable debt and energy self-rationing, and decrease the incidence of falling behind on other bills, such as rent and council tax, with wider benefits for the economy and public finances.
- Help build positive links between energy customers and their suppliers, prompting improved engagement and ongoing payment of bills. Similar schemes in the water industry have shown high levels of success: 90% of customers who completed

Wessex Water's Restart scheme (debt payment matching), for example, have gone on to maintain up to date payments of their regular water usage.<sup>3</sup>

- Support suppliers to deal with energy debt in a responsible way, coupled with proposals set out in Ofgem's simultaneous consultation on improving energy debt standards.

We are also cognisant of Ofgem's assertion that, without targeted intervention, debt-related costs in the energy price cap may continue to increase under the current system, potentially spreading further cost pressure more widely in the process.

Here we note the stark reality that, when a supplier writes off bad debt on their own accounts using the cap allowance, consumers won't necessarily see their own liability and debt written off £1 for £1, or indeed at all – meaning this debt will potentially still be chased by suppliers. We will address the flaws of this approach later in our response.

It is also crucial to note that the delivery of such a debt relief scheme – a move we are very much favourable towards – would have notable capacity and resourcing implications for the free debt advice sector. Ofgem must work closely with energy suppliers and free debt advice providers to ensure that the scheme is deliverable and designed in an efficient and sustainable way – contributing to the likelihood the scheme will be a success overall.

On the whole, it is positive to see the regulator acknowledge the pressing need to intervene to tackle the significant scale of debt accrued over the energy crisis. That being said, it is important to note the ongoing affordability challenges many consumers continue to face paying for live energy consumption, alongside the build-up of significant levels of energy debt. To put this into context, the average amount of energy arrears per StepChange client with a dual fuel energy account increased by more than £860 between 2022 and the first half of 2024, from £1,398 up to £2,260.<sup>4</sup> Our insights suggest that, not only are clients struggling to clear historic arrears, they are finding it challenging to keep up with live bills – hence debt/arrears continuing to grow.

While a debt relief scheme would clear historic debts for some consumers and enable those who are struggling to contribute more resources towards ongoing consumption, there will be many who continue to find the ongoing affordability of their energy costs challenging – or indeed impossible without targeted intervention on affordability.

We therefore remain strongly of the view that an energy social tariff is also an essential step to achieve enduring energy affordability for all financially vulnerable groups and prevent a situation like the accumulation of the historic levels of debt we have seen from happening again in the energy market. We are pleased that Ofgem has previously endorsed such a move, and would urge it to continue amplifying its importance to Government.<sup>5</sup>

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<sup>3</sup> Money and Pensions Service (2021), [Working collaboratively with debt advice agencies: A strategic toolkit for creditors](#)

<sup>4</sup> StepChange Debt Charity (2023), [Statistics Yearbook: Personal debt in the UK](#)

<sup>5</sup> Ofgem (2023), [Jonathan Brearley's speech at the Institute for Government](#)

## Considerations and Objectives

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

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

We broadly agree with each of the proposed objectives for the debt relief scheme, including the tangible removal of debt on individual customer accounts, and the welcome – and necessary – intention to improve the culture of debt management by energy suppliers and drive enhanced engagement with customers.

We believe that the implementation of a debt relief scheme will further Ofgem’s principal objective to protect the interests of energy consumers, as it would provide benefits to those behind on their energy bills – through the clearance of historic debt and opportunities for better relationships with suppliers – as well as customers more widely, through an anticipated reduction in costs associated with bad debt allowances.

We categorically believe that targeted debt write-off is critical to help consumers at this time, and also warmly welcome Ofgem’s decision to consult on proposals to drive up standards in the energy debt pathway in the longer term, from improving the consistency and acceptance of ability to pay assessments, through to enhancing the quality of supplier referrals to independent debt advice.<sup>6</sup> We would again reiterate that this scheme should be considered in tandem with calls for an enduring social tariff.

To ensure the scheme is a comprehensive success, it is critical that consumers in the same circumstances do not face a lottery of potential outcomes based on the energy supplier that they are with. It is therefore good to see Ofgem acknowledge the importance of ensuring there is consistency in the application of support for those eligible for this scheme.

## Debt Relief Scheme Administration and Delivery Options

Q5. What are your views on how we could best reduce the lead time between our proposed policy decision on a scheme and introduction of a scheme, balancing this with robust audit and readiness assurance processes?

Ofgem has already signalled a fast timeline for the introduction of this scheme. In order to equip everyone involved thoroughly and ensure the scheme is a success, it will be important for Ofgem to work quickly and collaboratively with suppliers, consumer groups and charities (CGCs) so that we are well placed to begin working on debt relief applications in Q3 this year. This includes the provision of pre-approved levels of funding to meet the implementation phase costs and enable debt advice providers to scale up, as well as a consideration of how the conclusion and subsequent scaling down of the scheme will be operationally managed.

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<sup>6</sup> Ofgem (2024), [Improving debt standards in the domestic retail market](#)

Q6. Do you agree our proposals in relation to a scheme time limits for a debt relief scheme?

Ofgem currently indicates that the proposed debt relief scheme should remain open between summer/autumn 2025 and spring 2026, to be followed by a discretionary period to allow for the distribution of funds following official closure of the scheme.

We have concerns that this period is too time-limited. Q1 is typically the busiest period for debt advice demand, and we may see a significant number of people reaching out in early 2026, rather than the end of 2025. This could result in resourcing and capacity crunch points for the charitable debt advice sector, as well as heightened risk that harder-to-reach eligible customers may lose out on support. For example, groups of customers who may already face barriers to participating in the energy market due to factors including low literacy, numeracy or digital skills – meaning they would likely be less able to access information or interact with essential services – might need more time to benefit from the scheme.<sup>7</sup>

We therefore believe Ofgem should extend the proposed scheme delivery time limits to a minimum of at least twelve months. Not only is extending the length of scheme delivery a sensible and inclusive move, but we believe the case for doing so is particularly compelling given the eligible period of debt accumulation will remain fixed throughout this duration – meaning an extension of delivery timelines wouldn't result in an influx of additional customers finding themselves eligible for support, but rather enable those who might face additional access barriers to receive support.

Here, we would encourage Ofgem to consider learnings from the delivery challenges which presented themselves throughout the life cycle of the Government's Energy Bills Support Scheme (EBSS). Analysis by the National Audit Office and Department for Energy Security and Net Zero (DESNZ) identified 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.<sup>8</sup> Indeed, of the 2.2 million (1.3%) of eligible payments which were not successfully made, 1.85 million were due to expired vouchers issued to traditional prepayment meter (PPM) customers or where properties were vacant.<sup>9</sup>

Evaluation also shows that unredeemed EBSS GB vouchers were focused in social renting areas and areas with a substantial ethnic minority population. Here, we note that approaching half (45%) of StepChange clients with energy arrears in the first half of 2024 lived in renting social housing, and we provide a high-level breakdown of ethnicity over the same period below. Existing research highlights how people from minority ethnic groups can face greater exclusion across financial services in the UK.<sup>10</sup>

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<sup>7</sup> Citizens Advice (2022), [Access Denied: Digital disadvantage and exclusion in the energy market](#) and Financial Conduct Authority (2023), [Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey](#)

<sup>8</sup> National Audit Office and the Department for Energy Security & Net Zero (2024), [Energy bills support: an update](#)

<sup>9</sup> As above.

<sup>10</sup> Fair 4 All Finance (2023), [Levelling the Playing Field](#)

Figure 1: Ethnicity of clients in the first half of 2024

	All clients	Clients in energy arrears
White	86%	84%
Mixed or Multiple ethnic groups	4%	4%
Black, African, Caribbean or Black British	5%	6%
Asian or Asian British	4%	5%
Other ethnic groups	1%	1%

We would expect to see Ofgem design the scheme in a way that removes as many known barriers to access as possible.

Reflecting on the delivery of energy bills support, DESNZ highlighted a number of lessons learned and recommendations to improve targeting of domestic schemes at harder-to-reach consumers and improve take-up of any future support. This included:

- Extending the application window to allow sufficient time for communications to reach intended audiences, who are often less digitally literate.
- Increasing the variety of communication methods to include non-digital approaches and government delivered targeted communications.
- Efforts to improve understanding of effective methods of reaching particular groups through engagement with representative groups and charitable organisations.<sup>11</sup>

The charitable debt advice sector is already operating at near full capacity. While we are very keen to engage with this important opportunity, the reality is that standing up enhanced capacity – whether through infrastructure changes, technology, or additional recruitment – takes time. If this scheme is only likely to run for a six-month period, that could be particularly challenging.

Our perspective is that the extension of scheme delivery timings would enable the charitable debt advice sector to more effectively allocate the resources towards ensuring the scheme is a success, and reaches as many eligible households as possible.

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

The average (mean) amount of energy debt/arrears per new StepChange client over the first half of 2024 was £2,260, while the amount of arrears per client ranged from as low as £1 to as high as £15,409. We believe the scheme should be designed in such a way as to capture as many people struggling with energy arrears as possible.

<sup>11</sup> As above.



Ofgem has indicated that the level of support available under a debt relief scheme would depend on the quantity of eligible debt and customer eligibility – and current estimates suggest the scheme could write off between £0.5 to £1 billion in debt accumulated over the proposed eligibility period. We would like to see intense efforts made to ensure the maximum possible financial support reaches consumers eligible for the scheme. We will explore proposals which would enable this later in the response.

We are supportive of Ofgem’s lead proposal that the scheme should include a primary, automated route for consumers to access support, with a secondary, application route to address the risk that the first route might fail to target some who need support.

Q8. Do you agree that a scheme should be implemented through supplier delivery with Ofgem oversight (Delivery option 1) or through an independent administrator appointed by Ofgem (Delivery option 2)?

Our preference is for a scheme implemented through supplier delivery with Ofgem oversight. As the consultation documents note, it is likely that this mechanism would enable the scheme to be implemented more quickly than if an independent third party was appointed by Ofgem. It will also mean Ofgem have clear oversight throughout implementation and delivery, and maintain control over key design elements such as branding of scheme materials.

Ofgem should take all reasonable steps to reduce the risk of scams which could accompany this debt relief scheme. The scheme should have a clear name and branding, backed by Ofgem (for example, “Help to Repay”) that all involved (suppliers, debt advice charities, Ofgem) can use – to support awareness of the scheme and encourage engagement.

Given the rapid pace of planned implementation and delivery, Ofgem must ensure that it has the appropriate resources in place to meet the requirements of this significant undertaking.

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

Q10. Do you have any views on how the supplier funding claims process should work under audit option 2?

It is vital that – whichever audit option is chosen – checks and balances are in place to ensure that energy suppliers are providing consistent, accurately targeted support and debt relief is delivered to eligible people on a timely basis. Of the two audit options presented in the consultation, our initial view is that pursuing audit option one would be a sensible approach, as it would enable eligible customers to receive support more quickly and remove barriers to access, which is particularly important when this cohort is likely to include many customers in vulnerable situations.

Ofgem must also establish firm assurance from energy suppliers that they will “net off” previous costs they have already recovered through historic bad debt price cap allowances or the level of debt they had previously provisioned for from any funding received through the debt relief scheme. It is therefore right that the regulator is proposing that when suppliers make a claim from the scheme, they would reduce the



level of claim to take account of debt they had already been compensated for through existing debt related costs allowances and any voluntary contributions they may want to make. The regulator must have robust measures in place to monitor and act on instances of non-compliance with this requirement.

We remind Ofgem here that one of its proposed objectives for the debt relief scheme is to facilitate improvements in the culture of debt management and provide an opportunity to build relationships between consumers and their suppliers. The above considerations are key if the scheme is to meet this purpose of improving consumer confidence and trust in the energy market.

We understand that CGCs – including free debt advice providers such as StepChange – would also be involved in the audit processes via the secondary application route, to ensure that we have a clear and consistent process. This is appropriate and welcome. Ofgem states that the cost of this audit could be covered by funding through a scheme or included in suppliers' terms of reference, rather than paid for by the CGCs themselves. We firmly believe that CGCs should not have to bear responsibility for audit costs brought about by the delivery of the proposed debt relief scheme.

Q11. Are there any other considerations for the delivery mechanism for a debt relief scheme we have not explored?

The consultation documents make no reference to the potential fraud risks associated with the delivery of a wide-scale financial support scheme.

Firstly, Ofgem must be cognisant of the likelihood that fraudsters may maliciously take advantage of the rollout of a debt relief scheme and attempt to scam consumers seeking financial support. The National Crime Agency highlighted a number of financial support scams that emerged during the Covid-19 pandemic, including fraudsters using HMRC branding to make spurious offers of financial support through unsolicited emails, phone calls and text messages, while UK Finance raised concerns around targeted scams which were deliberately preying on benefit recipients.<sup>12</sup>

Secondly, there is a challenge that *perceptions* of the risk of fraud among certain groups, including older individuals, might act as a barrier to their engagement with the scheme. Research by Age UK published in 2024 found that almost a fifth of over 50s in the UK, equivalent to 4.9 million people, fear answering their phones because of scams, while 2.8 million over 50s fear opening their doors for the same reason.<sup>13</sup> It is important to note these concerns are grounded in a climate where, as Age UK points out, older people – particularly those who live alone or with cognitive impairment – are indeed at greater risk of becoming victims to certain scams.

Previous investigations have also revealed how commercial debt management companies have placed Facebook adverts that could give the impression they are

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<sup>12</sup> National Crime Agency (2020), [Beware fraud and scams during Covid-19 pandemic fraud](#) and UK Finance (2020), [UK Finance reveals ten Covid-19 scams the public should be on high alert for](#)

<sup>13</sup> Age UK (2024), [Scams Prevention and Support Programme Report: Empowering Older People in a Fraud Epidemic](#)

linked to official government schemes.<sup>14</sup> There is a potential risk that lead generators offering debt write-off might attempt to capitalise on a widespread energy debt relief scheme on social media platforms including TikTok to share misleading claims.<sup>15</sup>

It is vital that the delivery mechanism for the energy debt relief scheme proposed by Ofgem is designed in such a way as to mitigate all the risks outlined above.

Q12. Are there any other financing or administrative considerations for your organisation that we have not considered as part of Chapter 4 or the initial Impact Assessment?

We detail our core financing and administrative asks in response to questions 22 and 23, based on working assumptions from the detail provided so far.

### Funding options

Q13. Do you have any views on the funding options presented, considering the balance between the temporary addition to customer bills against period of recovery?

We note that Ofgem is exploring funding options which will ultimately involve increasing energy prices for customers through the introduction of new, or increases in existing price cap allowances – such as through network charges or an additional allowance. It would be remiss of us not to address that StepChange’s preference, alongside sector partners, has consistently been for a Government-funded scheme to tackle the unprecedented build-up of domestic energy arrears.<sup>16</sup>

That being said, we acknowledge Ofgem’s assertion that it is possible that a debt relief scheme may be ‘cost neutral’ – depending on the level of debt provisioned within this period – as without intervention, the regulator “could reasonably expect a portion of debt yet to be provisioned to become bad debt which would likely result in higher bad debt charges within future price caps.”

We welcome efforts to ensure scheme design aspects limit the impact on customer bills – for example, choosing a longer period of time over which to recover funds from the wider customer base. This would go some way to negating poor outcomes or adverse consequences from the socialisation of costs associated with the debt relief scheme, while likely increasing the public acceptability of the scheme due to the reduction in yearly impact on household bills.

Having considered Ofgem’s impact assessment and with the above considerations in mind, it is StepChange’s initial view that recovery via network charges over a three or five-year period appears to be the most fitting. The regulator suggests that a 3-year time period balances the timeline for recovery with the impact on customer bills when compared to a longer recovery period, so we are open to this being one of the primary options considered.

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<sup>14</sup> The Guardian (2022), [Debt advice charity condemns ‘misleading’ write-off ads on Facebook](#)

<sup>15</sup> StepChange Debt Charity, [Not all debt advice is trustworthy: Find out how to get advice you can trust](#)

<sup>16</sup> Money Advice Trust (2023) [Joint Autumn Statement submission from seventeen organisations: Proposal for a ‘Help to Repay’ scheme on domestic energy bills](#)

Here, we would again make the point around the urgent need for an enduring affordability intervention in the form of a social tariff, to both reduce the likelihood that a debt relief scheme like this would be needed again and prevent customers more widely from having to bear the costs of unmanageable debt through their energy bills.

Ofgem indicates that suppliers making reduced funding claims from a scheme to reflect either the level of debt they had previously provisioned for, or the amount accounted for in previous price cap debt related cost allowances, would ultimately reduce the overall cost of a scheme – and we understand that the regulator is assessing options to ensure this is reflected in the scheme delivery. This is integral from both a fairness and consumer confidence perspective, and we address this further in response to questions 14 and 15.

As Ofgem’s impact assessment reveals, the debt relief scheme proposal results in an overall net positive distributional impact as customers in debt that benefit directly from the scheme tend to be lower income customers – with the overall income weighted benefit for this policy estimated to be c.£1billion – 1.2 billion. We strongly believe that this consideration should be reflected in eventual policy decision-making.

We note also Ofgem’s suggestion that debt matching by indebted customers who receive funding from a debt relief scheme might reduce the overall cost of the scheme. We offer our views on the suitability of this option in response to questions 16 and 17.

We understand that it is Ofgem’s intention to compensate parties for the costs involved in financing a debt relief scheme. As it stands, Ofgem proposes that energy suppliers would likely have to reimburse CGCs for their administrative costs in the probable event that the application route for eligibility be included in a debt relief scheme. We urgently welcome further clarity on how and when Ofgem intends to ensure CGCs, who will play a core role in the delivery of the application route, will be reimbursed – for example, if the regulator anticipates that debt advice providers such as StepChange will receive funding in advance of, during, or post, delivery of the scheme.

We will lay out key funding and capacity considerations from a debt advice perspective in response to questions 22 and 23.

Q14. Do you have any views on reducing supplier funding claims to account for historical debt write off that has been funded via the price cap and supplier contributions?

Q15. What are your views in relation to the approach which should be taken to account for debt which has already been provided for by historical price cap allowances or provisioned for, for a debt relief scheme’s eligible customers?

We answers questions 14 and 15 together.

We note that Ofgem has indicated that it may be the case that a debt relief scheme will clear debt which has already been reflected in the debt allowance of the price cap. Indeed, over the period of time covered by a debt relief scheme, the regulator

highlights that suppliers recovered c£1.8bn of bad debt charge via the price cap allowance.

Based on an assumption that the previous debt allowances were equally distributed amongst eligible and ineligible customers, Ofgem estimates that around £400m of the debt due to be written off under a debt relief scheme will have been recovered already – but the regulator anticipates a much higher overlap than this when considering the debt relief scheme’s proposed eligibility criteria.

Ofgem must absolutely have safeguards in place to avoid ‘double counting’ and ensure that suppliers do not end up benefitting twice from debt write-off – first, through relevant debt previously written off on suppliers’ books through the bad debt allowance, and subsequently through a claim for funding from this relief scheme.

There may be instances where suppliers have claimed for bad debt accumulated over the proposed scheme criteria period, but not removed personal liability from the relevant accounts. Ofgem’s assertion that it wants to see alignment between money spent on bad debt, and actual customer debt forgiveness for the historical debt accrued during the crisis, is one we absolutely support.

We therefore strongly welcome Ofgem’s intention to require suppliers to identify accounts which have previously been provisioned for so they must make a reduced claim for funding from the proposed debt relief scheme. We would appreciate clarity from Ofgem on how it intends to comprehensively ensure suppliers adhere to this requirement, with the added point that doing so would reduce the overall cost of the scheme and benefit energy customers.

We note that, in addition to suppliers making reduced claims from a debt relief scheme to account for historical price cap debt allowances, Ofgem is exploring an option in the process for suppliers to make direct voluntary contributions to the scheme. We would look favourably on efforts by suppliers to do so. Here, we would again highlight the importance of the debt relief scheme – whatever the source of funding – having a clear, singular name and branding. Past experiences have shown that some energy suppliers have struggled to distribute support, so voluntary contributions shouldn’t undermine the simplicity and automation needed to achieve high take-up.

#### Q16. Should debt matching be included in a debt relief scheme?

To ensure simplicity and the timely delivery of the scheme, it is our view that people who qualify automatically should receive debt write-off. We have concerns that building debt payment matching into the automatic eligibility cohort would make the scheme too complex to deliver in or around the proposed timeframe.

We are also currently not confident about the consistency of suppliers’ ability to set affordable, sustainable repayment plans, and how this would present through the automatic route (relating to payment matching). StepChange debt advisors continue to report harmful billing and debt management practices, including suppliers putting undue pressure on customers to accept unsustainable repayment rates or rejecting

more affordable offers. In certain cases, this has had concerning mental health outcomes for clients:

- *The client built up a small amount of arrears with her previous supplier, which was then taken over. When the account was acquired, the new supplier agreed for the client to pay £148 per month to cover her usage and her arrears. Now the supplier has reneged on the agreement and want the client to pay £324, which she is unable to do. This has made her feel suicidal and her family are watching her constantly as a result. Her family, who live with her, are feeling trapped as they are all frightened to even put on a light. The client's daughter showers at her local gym as she does not feel comfortable doing this at home. – Recorded April 2024*
- *The client, who has a negative budget, offered a token amount of £1 to her energy supplier and included her budget to evidence her financial situation. Despite seeing her budget is over £1,000 in deficit, the supplier is insisting on changing her direct debit to double the amount she is currently paying in order to recover her arrears; a change from £286 to £572. This is unaffordable to her, and she has been borrowing money from friends to pay. The situation has caused her to feel stressed and very upset. – Recorded January 2024*

While we understand and warmly welcome the fact that Ofgem is simultaneously consulting on plans to improve debt standards in the domestic retail market – including efforts to drive up the consistency of ability to pay assessments – these efforts will not have been thoroughly tested at the time the scheme is likely to launch.

This approach of prioritising debt write-off makes further sense given Ofgem's acknowledgement that, under some variants of the proposed eligibility criteria data proxies, it may not be possible to offer debt matching (on the basis of the inability of the underlying data to inform an affordable repayment level).

Ofgem also raises a pertinent point that payment matching may be financially challenging for those customers who are struggling to pay for current consumption, never mind being able to clear accumulated debt in a reasonable period of time. Here, we would point to the fact that approaching half (47%) of StepChange debt advice clients with energy arrears in the first half of 2024 had a negative budget. Debt write-off would be very beneficial for these households.

We believe that debt payment matching could be considered for people entering the scheme via the secondary application route, who would have had an independent and holistic assessment of what level of repayments they can afford from a CGC. We appreciate that this could be helpful in building trust and driving ongoing engagement between energy suppliers and their customers, if support was delivered sustainably and communicated well.

Ideally, customers should receive 100% debt write-off. According to Ofgem's impact assessment, fully writing off the debt of the 1.8 million households who would qualify automatically through a "Warm Home Discount Plus" approach would cost £438 million, well within the scheme funding parameters and leaving additional funding space (as per Ofgem's estimation that the scheme could write off £0.5 to £1 billion) to

write off debt for customers identified under the secondary route who do not fall under the primary eligibility affordability criteria.

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?

As discussed in response to question 16, our preference is for the primary automated route to involve debt write-off only, while the secondary application route could include scope for debt matching as well as debt write-off where this is deemed suitable. This would enable an independent assessment of a customer's holistic financial position by a trusted third-party, like a debt advice charity such as StepChange.

Ofgem suggests that debt write-off would be available for consumers assessed as not being able to afford to contribute payment towards their debt, while consumers assessed as being in a better position as regards to affordability would qualify for debt matching. This seems like a sensible move, though one which must be managed carefully to avoid the risk of policy cliff edges.

One option which could be explored when considering how to differentiate eligibility thresholds for debt matching versus debt write-off under the application route, is to consider surplus amounts following an income and expenditure (I&E) assessment. For example, if this assessment found that someone had less than £75 in surplus income per month after paying household bills and living costs (the current Debt Relief Order threshold), they could potentially be eligible for debt write-off under the scheme. Above that amount, CGCs could work with the client to establish a reasonable repayment offer based on their financial position, which the supplier could then match over a defined period.

Ofgem is envisaging that an offer would be made to eligible consumers that, if they agree to a repayment plan, the supplier will match the payments made to a set ratio. For example, for every pound of debt a consumer contributes to paying off their debt, a set amount of debt relief would be provided by their supplier. We believe that this pound for pound approach should be pursued, for impact, simplicity and clarity for consumers.

We would also favour an approach where a customer who is eligible for payment matching receives an equivalent payment after each contribution or at other regular intervals, rather than at the conclusion of any agreement; this would both improve people's financial situations more quickly, and drive enhanced trust and engagement with their supplier. We would encourage Ofgem to engage with stakeholders on learnings from existing schemes. For example, British Gas' 'You Pay: We Pay' scheme matches 100% of every payment made into a customer's energy account for a six-month period, consecutively matching each payment each month.<sup>17</sup>

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<sup>17</sup> British Gas, [You Pay: We Pay - part of the British Gas energy bill support fund](#)



We completely agree with Ofgem that it would be important to clearly set the parameters of support under debt matching so customers understand how long the arrangement will be in place for and the conditions associated with it. Ideally, the payment matching element of the scheme could be designed whereby, if a customer makes repayments for a certain period (for example six months, or a year) the rest of the debt would be written off.

A further way Ofgem might explore differentiating eligibility thresholds could be to consider a maximum reasonable repayment period after which debt should be treated as unrecoverable and the customer eligible for debt write-off. For example, if it was determined following an affordability assessment that a client couldn't afford to repay their arrears in full within a certain extended period of time (say, two years), either by themselves or through £1 for £1 matching (i.e. 50% of their full arrears amount), that could also make them eligible for write-off – as this might indicate their debt is more unmanageable.

We strongly welcome Ofgem's proposal, in its concurrent consultation on improving debt standards in the domestic retail market, to modify license conditions to make it clear that suppliers must accept relevant information from credible third parties (such as a debt repayment offer based on a standardised I&E assessment from an FCA-authorized debt adviser) unless there is exceptional reason not to. We would urge the regulator to move at speed to implement this change, and remind suppliers of their obligations to treat all customers fairly in the meantime, as we all too often hear of reasonable repayment offers being rejected by suppliers.

There must be accommodations in place to ensure that the potential for a person or household's financial situation to fluctuate is taken into account when payment matching levels are set. For example, if someone experiences the loss of paid work or experiences a life event which negatively affects their financial situation, they should be able to re-engage with their supplier on the suitability of their arrangements. Suppliers should then be able to reduce payments or switch the person to full debt write-off.

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?

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

We respond to questions 18 and 19 together. We do not have extensive comments to make here, other than to reiterate that we welcome efforts to ensure aspects of the scheme's design limit the impact on customer bills – for example, choosing a longer period of time over which to recover funds from the wider customer base.

As discussed in response to question 13, it is StepChange's initial view that recovery via network charges over a three or five year period appears to be the most fitting – by reducing adverse consequences which might stem from a more rapid socialisation of debt relief scheme costs and improving the public acceptability of such a scheme.



The regulator suggests that a 3-year time period balances the timeline for recovery with the impact on customer bills when compared to a longer recovery period, so we would restate that we are open to this being one of the primary options considered.

## Eligibility and Conditionality Options

Q20. What are your views on the proposed primary eligibility criteria? We welcome views on our proposals for arm 1 and 2 of the eligibility criteria, considering the options for debt write-off and debt matching.

Overall, we are in agreement that prescriptive eligibility criteria are necessary to ensure the accessibility and impact of receiving support from a debt relief scheme. Support should be as well-targeted as possible to those who have accumulated debt during the energy crisis and are in need of financial support to clear their debt – though we would once again point to widespread, ongoing affordability challenges as a key area of consideration here.

We welcome that Ofgem’s lead eligibility option involves two routes to access support: the first being primary eligibility criteria applied by suppliers and, as far as possible, automated; and a secondary route available to those who did not meet all three arms of the primary eligibility criteria, but could be offered an appeal route via application.

### *Reflections on arm 1 – indebtedness or level of indebtedness*

We note that Ofgem is considering two options: requiring only that the consumer has energy debt (of any value), or alternatively, requiring a minimum level of energy debt. Our strong preference is for the first of these two options to be adopted as arm 1 of the eligibility criteria, to ensure the support reaches those who need it and fairly targets struggling customers across varying energy usage levels.

Ofgem states that its view is that a minimum level of indebtedness “may be preferable to ensure that we focus support on those customers with the largest debt build up” and suggests that this debt “is more likely to be at an unmanageable level, unlikely to be repaid in a reasonable timespan.” We would like to offer some alternative views here.

Firstly, we have apprehensions that proposing a minimum level of indebtedness as part of the criteria would exclude low usage households whose debt is significant relative to their financial position. What is unmanageable to one household could be very different to the next: this diversity in what constitutes affordability is best supported by having no minimum debt floor for eligibility.

Secondly, one option Ofgem is exploring is that a minimum level of indebtedness could be set at a fixed level (for example, a minimum of £500 of debt). We are concerned that this could lead to an eligibility cliff edge where, for example, a customer accumulated £499 over the proposed period of debt accumulation and, though still struggling financially, finds themselves ineligible for financial support. Taking this approach also raises fairness issues, for example in cases where – as Ofgem itself acknowledges – customers will have cut back in other important areas in an attempt to pay more towards their energy bills.

We also believe that an alternative approach offered by Ofgem – that the minimum level of indebtedness could be set as a percentage of the cost of ongoing consumption (for example, 50% of customer’s Estimated Annual Cost) – would add undue complexity to the scheme, hampering proposed timescales as well as consumers’ ability to understand and interact with the scheme.

*Reflecting on arm 2 – the period of debt accumulation*

We understand the logic driving Ofgem’s proposal that the second arm of the eligibility criteria would be that the debt must have been accumulated between the period from 1 April (Q2) 2022 through to 31 March (Q1) 2024 – which Ofgem identifies as the energy crisis period – and the reasons as to why only debt accrued during this time would be eligible for debt write-off or debt matching.

That being said, while it’s positive that energy prices have come down since the peak of the energy crisis, it’s crucial to situate this in the wider context that the current price cap average of £1,738 per year for a typical household is still significantly higher than before the cost of living crisis began – up from £1,138/year in summer 2021. It is therefore vital that solutions designed to tackle ongoing energy affordability challenges, as well as historic debt, are explored by Government and Ofgem at speed.

We are therefore open to arguments that the proposed period of debt accumulation could be extended beyond the parameters Ofgem has currently laid out, though we recognise the rationale behind the current proposal.

Q21. What are your views on proposals for arm 3 of the primary eligibility criteria (affordability assessment)? We would welcome views on both the feasibility of relying on each data proxy and the suitability of each data proxy to target consumers. We welcome views on eligibility criteria, considering the options for debt write-off and debt matching.

We understand that Ofgem intends for the final element of eligibility to be aimed at assessing the affordability of repaying towards existing debt for that particular consumer or household, and is exploring different criteria and data proxies. To ensure the scheme is targeted and efficient to administer, we agree that standardised affordability criteria should be used to inform the primary, automated route and serve as a proxy for people who are likely to struggle to repay arrears.

This eligibility criteria should be as expansive as is practicable and fair, to ensure as many struggling consumers as possible receive support without having to actively apply. We also support the existence of an additional, discretionary route for people who can show they would struggle to repay their energy arrears in a reasonable timeframe, but who do not fit into the standard eligibility criteria, as Ofgem is proposing.

It is our view that the best option for automatic affordability eligibility criteria is an approach based around “Warm Home Discount (WHD) plus”, as set out in the consultation paper – which the impact assessment suggests would qualify 1.8m households automatically.

It is vital that the high energy costs element which forms part of the current WHD assessment is removed for the purposes of the debt relief scheme, to avoid limiting eligibility to too few people. This would mean any customer receiving means-tested benefits would qualify automatically for the scheme – an appropriate and fair way of targeting support. As Ofgem itself points out, this move would significantly expand the pool of eligible consumers without, the regulator expects, significantly impacting the strength of this criteria in terms of targeting those in need of the support.

Here, we highlight that there are discrepancies between the way WHD criteria works and is administered in England and Wales compared to Scotland – where only those on the Guarantee Credit element of Pension Credit get automatic support. Ofgem must ensure that consumers in Scotland, or indeed any region, are not disadvantaged by the design of the debt relief scheme eligibility criteria. Those on means-tested benefits in Scotland should receive support automatically under the scheme if they also meet the first two arms of the criteria.

We note Ofgem’s statement that, depending on which dataset by WHD year is selected for the eligibility criteria, a consumer who may have been eligible for WHD during the energy crisis, and faced significant affordability challenges during that period, may fall out of the scope of eligibility should they no longer qualify for WHD. We would welcome clarity on whether a multi-year dataset could be accessed and used to minimise the risks associated with this fluctuation.

StepChange also supports the inclusion of recipients of disability related benefits in the scheme eligibility criteria. 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.<sup>18</sup> 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 the first half of 2024, one in five (19%) StepChange clients with energy arrears were in receipt of DLA/PIP (adult), compared to 13% of clients overall. Ofgem’s own research, cited in this consultation, indicates that customers in energy debt are also more 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 a disability or illness in their household.

Below, we provide a breakdown of the prevalence of vulnerabilities, including neurological or physical health conditions, among StepChange clients with energy arrears in the first half of 2024 compared to clients overall:

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<sup>18</sup> Scope (2024), [Disability Price Tag 2024: Living with the extra cost of disability](#)

Figure 2: Prevalence of vulnerabilities among StepChange clients in the first half of 2024

	All clients	Clients in energy arrears
Proportion of clients with any vulnerability	51%	74%
Mental health	36%	56%
Emergency issue	15%	25%
Family issues	11%	19%
Neurological or physical	10%	18%
Health	10%	18%
Addiction	4%	5%
Development or learning difficulty	1%	2%
Hearing or vision impairment	0.4%	1%
Communication	0.1%	0.4%
Housing	0.1%	0.2%
Other	11%	17%

Ofgem’s assessment is that this policy overlaps with the Public Sector Equality Duty for the following portrayed characteristics: age and disability. It is therefore fitting for Ofgem to act so that WHD Plus criteria encompasses those on non means-tested disability benefits as well as means-tested benefits, alongside the removal of the high energy costs requirement.

We are not confident that some of the other data sources suggested in this consultation – including credit reference agency data and council tax banding – are effective or practical proxies for targeting the scheme. Evidence from the Institute for Fiscal Studies has shown how council tax banding is out of date and highly regressive with respect to property value.<sup>19</sup> We have some concerns in relation to credit reference agency data with regards to accuracy and coverage, including its ability to fully capture someone’s financial situation.

The proposed inclusion of those qualifying for “Do Not Install Involuntary PPM” as a proxy for the affordability arm has some merit, with the justification that these customers cannot have a PPM for safety reasons, can be in vulnerable situations and, therefore, susceptible to building up debt.

We would note however that at the other end of the spectrum, research shows that the use of prepayment meters has a relatively high correlation to living in fuel poverty.<sup>20</sup>

<sup>19</sup> Institute for Fiscal Studies (2020), [Revaluation and reform: bringing council tax in England into the 21st century](#)

<sup>20</sup> National Energy Action (2021), [Vulnerable ‘pay as you go’ energy customers put at ‘needless’ risk during pandemic](#)

What's more, as this group of customers are exposed to the possibility that their energy supply can be cut off, self-rationing of energy usage among this cohort is a notable concern – with worrying implications for health and wellbeing.<sup>21</sup> We would therefore encourage Ofgem to consider the inclusion of PPM customers in the third arm of the primary eligibility criteria, as our view is that – given PPM installation is used as a method by suppliers to recover debt – this could serve as a valuable measure of financial vulnerability, and hopefully reduce the likelihood of self-rationing.

Ofgem notes that the largest eligible group (excluding all customers with debt during the target period) is a combination of the initial WHD Plus criteria and those with low income (defined by the regulator as £21k or less based on 60% of the UK median household income). We would be open to these collectively being explored as data proxies.

Ultimately, we welcome Ofgem's assertion that drawbacks in scope could be mitigated by including other options under the affordability arm of the primary eligibility criteria and by the existence of an application route for eligibility, so financially struggling consumers do not slip through the cracks of the automated route.

We would also highlight that consumers who are eligible for the scheme under the primary automated route might also be likely to benefit from holistic debt advice. Though we remain strongly of the view that automated support is an integral part of the debt relief scheme proposals, we would welcome efforts from suppliers to ensure that those who do receive automatic support from their energy suppliers (i.e. through debt write-off on their energy accounts) also receive communications, signposting and referrals through agreed partnership to free debt advice providers.

Q22. What are your views on the proposed application route for eligibility? We welcome views on our proposals for arm 1 and 2 of the eligibility criteria, considering the options for debt write-off and debt matching.

We welcome Ofgem's intention that, for those who do not meet all elements of the primary eligibility criteria, an application route will also be available. As Ofgem rightly acknowledges, there are clear benefits to automating assessments of eligibility, but also strong advantages from the provision of an alternative route of access. It means the pool of eligible customers would be expanded, allowing more people to receive support via the debt relief scheme.

As we have outlined elsewhere in the response, while the inclusion of such an application route is important, it will come with funding and resourcing implications for the free debt advice sector as it works towards ensuring appropriate capacity is in place by October 2025.

If Ofgem was to go ahead with a scheme design involving expanded WHD eligibility by removing the EPC criteria, estimates suggest this could expand the value of targeted debt to up to 1.8 million customers. This means that up to 500,000 customers with

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<sup>21</sup> Citizens Advice (2023), [Millions left in the cold and dark as someone on a prepayment meter cut off every 10 seconds, reveals Citizens Advice](#)

energy debt/arrears – per Ofgem’s calculation that up to 2.3 million households could receive some form of debt forgiveness under the scheme – could technically fall under this route. Though the numbers are likely to be much lower, and spread between a range of CGCs, we anticipate they will still have a significant bearing on capacity.

We understand that Ofgem is interested in feedback from eligible CGCs, such as StepChange, as to our funding limitations and constraints in building capacity by the proposed delivery start date, as well as our view on the likely volume of applications. Below, we have provided a number of caveated calculations based on the limited information on the potential application process available at this point. Our working assumptions are that:

1. In the event that 20,000 applications were processed by StepChange, we would need 25–30 full-time-employees (FTE) to support clients via the secondary application route
2. The application approach currently outlined by Ofgem would suggest that we do not necessarily need fully trained debt advisors to complete calls with clients, so these roles would be largely administrative – but we would still need to recruit and train FTE in order to meet this demand.
3. We also anticipate that a sizeable proportion of people coming through the service would likely benefit from debt advice (with a digital first approach, and telephony for those who are digitally excluded).
4. If we got 6,000 clients through to completed debt advice, the requirement would be circa. 15–20 additional debt advisors, who would require full training.
5. We do not have surplus funding to maintain any resource in excess of existing capacity, meaning we would need guaranteed upfront funding to mobilise and also de-commission (in line with the approach the Money and Pensions Service takes).
6. We would likely see a rise in people coming to our core debt advice service as a result of hearing about this, even with a supplier referral mechanism in place.
7. We would need to invest in additional content on our website to support with enquiries about the service, and also increase webchat resource to cope with increased chats.
8. Further to this, the scheme would have resourcing implications for wider teams across StepChange, including marketing, media, partnerships, risk and compliance.

As touched on above, there would be an interplay for some clients between this scheme and the need for broader and more holistic debt advice. Clients accessing advice through the application route may require support with non-energy debts and a debt management plan or insolvency solution, and broader signposting and support. Ofgem must be cognisant of this and work closely with the debt advice sector to shape the scheme with this in mind, considering how the scheme would affect client journeys as well as having implications for StepChange’s capacity.



It is our view that arms 1 and 2 of the eligibility criteria – indebtedness and the period of debt accumulation – should be consistent across both the primary and secondary route, both to simplify the delivery of the scheme and, through coherent consumer-facing messaging around eligibility, to minimise the risk of confusion.

Q23. What are your views on proposals for arm 3 of the application route for eligibility (affordability assessment through a CGC)? We welcome views on eligibility criteria, considering the options for debt write-off and debt matching.

We understand that Ofgem is proposing that – in conducting the primary eligibility criteria assessment – suppliers would identify consumers who have met the first two arms of the primary eligibility criteria but have failed to meet the eligibility criteria under the affordability arm. Ofgem would then require suppliers to contact these consumers to inform them that they may be eligible for support from a debt relief scheme and to advise them to contact one of the participating CGCs for further assessment – thus serving as an ‘appeal route’.

We are receptive to this approach. As Ofgem points out, this referral mechanism would mean customers had to possess evidence from their suppliers that they meet the first two arms of the eligibility criteria, which would help to ensure that CGCs do not undertake assessments of individuals who will not qualify for support.

That being said, we anticipate that communications about a debt relief scheme to the public will result in some who are struggling with their energy bills to reach out, even if it transpires they are not eligible under the first two arms of the scheme. This will have a bearing on debt advice capacity which must also be embedded in the allocation of funding and resource for the scheme.

To situate this expectation in some context, during a January 2025 episode of the Martin Lewis Money Show which featured StepChange’s Chief Client Officer talking about the support we provide to those in need, we saw active users of the StepChange site triple from around 600 to 2,000. We also extended our opening times on debt advice telephony by two hours to offer further support on the night the show aired, and had 42 calls come in during this window.

It is also crucial that, should Ofgem go ahead with this proposed referral approach, the information provided to customers which demonstrates eligibility under the first two arms is easily accessible, and available through different communication channels – for example, through an email, online supplier portal or physical letter. Customers would benefit from Ofgem putting some common communication requirements in place to ensure consistency of experience regardless of energy supplier, which would also support with wider public messaging around the scheme. Again, Ofgem should consider learnings from the Government’s delivery of its energy bills support package over the earlier phase of the cost of living crisis, especially around the impact of differing communication methods and levels of awareness and understanding.<sup>22</sup>

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<sup>22</sup> National Audit Office and the Department for Energy Security & Net Zero (2024), [Energy bills support: an update](#)



We understand that, having made contact with the CGC and having gathered confirmation of potential eligibility, the CGC would conduct the affordability assessment. Ofgem's intention is that a supplier would then use this data to make a determination as to whether the eligibility criteria had been met and, where satisfied it had, take the decision to issue the support, whether debt matching or debt write-off. We largely support this approach, but as touched on elsewhere, steps must be taken to ensure energy suppliers are taking a consistent approach in their response to these affordability assessments, so as not to generate a lottery of outcomes for different customer groups who otherwise have equivalent circumstances – and Ofgem should set clear expectations and parameters as it designs the scheme.

It is integral that there is also consistency in the assessments undertaken across the different CGCs involved in conducting the assessments – and we agree with Ofgem that requiring use of the Standard Financial Statement or Common Financial Tool, both of which StepChange uses, should help ensure a consistent standard.

Requiring an I&E assessment, as Ofgem points out, may help to facilitate more positive relationships between consumers and energy suppliers and may also act as a first step towards consumers engaging with debt advice providers such as StepChange to access the support they can offer.

As discussed in response to questions 16 and 17, our preference is that customers eligible under the primary debt relief scheme route should receive 100% debt write-off. We also see write-off as an important part of the application route alongside payment matching, to reflect the assumption there will be a budget threshold and affordability position below which write-off is more appropriate than matching, and that there may be people who fall through the cracks of the primary route due to data matching issues.

We detail our initial views around how Ofgem and suppliers might differentiate eligibility thresholds for debt matching and debt write-off under the application route in response to question 17. When considering eligibility criteria under the application route – and within that, the different boundaries between payment matching and write-off for eligible customers – we would encourage Ofgem to consider factors including an applicant's budget surplus position, as well as the length of time it would take them to repay their energy arrears and their wider debt position, following an I&E assessment.

Different eligibility thresholds will naturally have a bearing on the customers who do and don't qualify for different types of support, or whether they qualify altogether. We recognise that Ofgem may want to set some parameters in the secondary application route, to reflect where an I&E assessment indicates that an applicant has a favourable affordability position and therefore might not qualify for support. We are open to engaging with Ofgem on designing eligibility parameters as this consultation process progresses.

More widely, StepChange is very happy to work with Ofgem to model the impacts of different eligibility criteria proposals using insights from data on our clients with energy arrears. For example, we could test different boundaries around factors including

surplus amount, total arrears levels, and wider debt position, to establish what proportion of StepChange clients would be brought into eligibility as a result (noting that we would, for example, have to use an estimate of the average amount of a client's energy debt that falls within the debt accumulation period).

We absolutely believe Ofgem should designate a pre-approved level of funding commitment to allow CGCs to build capacity in anticipation of demand. We are very willing to engage quickly with Ofgem on anticipated funding requirements as debt relief scheme proposals progress.

We note that under this proposed design – an appeal route requiring referral – the CGC, in this case StepChange, would claim their administrative expenses from the energy supplier, who would then claim this as part of their total debt relief scheme costs. We very much agree with Ofgem's intention that a supplier would pay the relevant CGC regardless of whether the particular consumer ultimately qualified for support from a debt relief scheme.

Regarding Ofgem's proposal that it could also set a flat rate or a cap on the administrative costs which the participating CGCs could claim for each assessment, our view is that, whatever mechanism is taken forward, it covers the costs incurred by the debt advice provider in entirety, providing the level of support required for each individual customer.

We understand that an audit of the participating CGCs and the suppliers would be overseen by the administrator (or be a supplier commissioned third party audit), and we recognise that this would need to take place. Ofgem is exploring a number of options for when this might happen, either after each assessment, before final distribution, or in bulk following distribution of the funds. We are very happy to work at speed with the regulator to determine the most effective approach here, noting that Ofgem must ensure this is simple and doesn't create unnecessary burdens or barriers to eligible customers accessing support.

Q24. Do you agree with our proposals for eligibility in relation to closed customer accounts? What administrative challenges may be faced with these proposals and how can these be overcome?

We do not have extensive comments to add here, other than to say we believe eligibility for a debt relief scheme should be designed to ensure those who have switched suppliers or those who have moved properties at crucial points in their debt journey are still eligible for support from such a scheme.

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? Would you support debt write-off or debt matching for this group?

On balance, we do not believe that the removal of the third arm of the primary eligibility criteria should be pursued – as we believe there should be a level of targeting through the use of wide-reaching data proxies. Removing this criterion could mean that more affluent people who *do* have the ability to repay their debt could get brought

into the bounds of the scheme – and our view is that it is better that support is more carefully targeted.

We are also apprehensive about Ofgem’s suggestion that the risk of providing support to those who do not need it could be further reduced by setting a minimum level of indebtedness within the criteria – as this would likely disadvantage low-income, low-usage customers in greater need of support than those captured by this workaround.

Q26. Should conditionality be built into the design of a debt relief scheme and, if so, which elements of conditionality should we include?

We have concerns that building conditions on accessing debt relief into the scheme could create undue barriers, particularly for consumers in vulnerable situations.

For example, we note that Ofgem is exploring an option where it could expect consumers to have paid towards their ongoing consumption in the six months leading up to the start of a debt relief scheme (including insufficient payments to meet ongoing demand but presents evidence of a willingness to pay a contribution). Here, we would nod again to the prevalence of negative budgets among our client base with energy arrears, and the wider financial difficulties households are facing. This move could potentially mean that those arguably most in need of debt write-off could be prevented from accessing it.

What’s more, we believe that introducing conditionality – for example, the suggestion that consumers could also be required to accept a smart meter – into the scheme could also add excessive layers of complexity and prevent some people from taking up much-needed support.

Q27. Are there significant data sharing challenges which we should consider in the selection of design options?

We do not have extensive comments to add here, other than to say we are very willing to engage proactively with Ofgem, DESNZ and energy suppliers to work, where relevant, to alleviate any data sharing challenges which will help to ensure the scheme implementation and delivery can go ahead successfully.

